

Accountancy

JUNE 1953

Professional Notes

The Society's Annual Meeting

The sixty - eighth annual general meeting of the Society of Incorporated Accountants was held at Incorporated Accountants' Hall on May 19. There was a large attendance of members. The address given by the President, Mr. C. Percy Barrowcliff, F.S.A.A., at the meeting is reproduced on pages 184-185 of this issue and we comment upon it in our Editorial article on page 176. There was a lively discussion in which many members took part (reported on pages 198-204), on the question of the filling of a vacancy on the Council of the Society.

The President and Vice-President of the Society

We have pleasure in announcing that at a meeting of the Council of the Society of Incorporated Accountants, held on May 19, Mr. C. Percy Barrowcliff, F.S.A.A., was re-elected President of the Society, to serve for a third year. The Presidency of the Society is an extremely onerous office and Mr. Barrowcliff has devoted himself to it without respite and with distinction during the last two eventful years, which included the heavy programme of the International Congress on Accounting and a busy visit to Canada and U.S.A. The Society is indeed fortunate that Mr. Barrowcliff has been able to agree to serve as President for 1953-54, which will involve heavy duties in connection with the Coronation.

We are also glad to announce that at the same meeting of the Council, Mr. W. Bertram Nelson, F.S.A.A., was re-elected Vice-President for a third year. It will be a cause of satisfaction to the members of the Society that for another year he will continue to give Mr. Barrowcliff his valuable support.

Unscrambling Two Nationalised Industries

Now that the Iron and Steel Bill and the Transport Bill have received the Royal Assent, debates in Parliament on the disposal of the steel and road haulage assets will give place to bargains in the market place. In selling back these assets to private owners, the problems facing the *Road Haulage Disposal Board* and the *Iron and Steel Holding and*

Professional Notes

- 171 Loyal Address to Her Majesty Queen Elizabeth II
- 171 The Society's Annual Meeting
- 171 The President and Vice-President of the Society
- 171 Unscrambling Two Nationalised Industries
- 172 Valuations for Rating
- 173 Taxation Reform
- 173 The Institute President on Management Accounting
- 173 The Society's Examination Results
- 173 Mr. J. C. Latham, D.L.
- 174 I.C.F.C.
- 174 The Northern Ireland Budget
- 174 Building Societies' Interest Rates
- 174 Reforms in the System of Local Rates

SHORTER NOTES—

- 175 Business Efficiency Exhibition
- 175 "Uplift" for Purchase Tax
- 175 International "Accounting Days"
- 175 Lecture for Students by Professor Bray
- 175 Cost Accounting in Turkey

Editorial

- 176 The Regulation of the Profession
- 177 Accountancy in Five Reigns
- 181 Royal Associations with the City of London
- 184 The President's Speech
- 186 Shares of No Par Value
- 187 Hospital Costing Returns

Taxation

ARTICLE—

- 188 The Finance Bill

NOTES—

- 191 Age Relief
- 191 Excess Profits Levy
- 191 Small Income Relief
- 191 Armed Forces—Estate Duty
- 191 Acceptance of Property in Satisfaction of Death Duties
- 192 Estate Duty—Valuation Concession
- 192 Interest on Tax Reserve Certificates
- 192 TAX CASES—ADVANCE NOTES

Finance

- 194 The Month in the City
- 195 Points from Published Accounts

Readers' Points and Queries

- 196 Divulging of Information to Tax Inspector
- 196 Are Investments Current Assets?
- 196 Salaried Workers—Holiday Pay
- 197 Maintenance Orders
- 197 Profits Tax—Distributions
- 197 Private Market Gardens

Law

- 197 Legal Notes

Society of Incorporated Accountants

- 198 Annual General Meeting
- 205 Sixty-Eighth Annual Report
- 211 Council Meetings
- 211 Incorporated Accountants' Dinner
- 211 Society Dinners
- 212 Dinner at Bradford
- 212 Events of the Month
- 212 Society's Preliminary Examination—Exemption
- 212 Incorporated Accountants' Benevolent Fund
- 212 Personal Notes
- 212 Removals
- 212 Obituary

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To Her Most Excellent Majesty Queen Elizabeth II

May it please Your Most Gracious Majesty. We, the President, Vice-President, Council and Members of the Society of Incorporated Accountants and Auditors, respectfully offer loyal and heartfelt congratulations to Your Majesty on the occasion of your Coronation. It is our earnest prayer that Your Majesty may long be spared to reign in peace, happiness and prosperity over your loyal and devoted subjects.

We reproduce above the message of a loyal address submitted to Her Majesty Queen Elizabeth under the Common Seal of the Society of Incorporated Accountants.

At this time of rejoicing, Incorporated Accountants the world over join with Her Majesty's other loyal subjects in wishing her long years of happiness, and take especial pleasure in being represented at the scene of her crowning, in Westminster Abbey, by their President, Mr. C. Percy Barrowcliff.

Long live the Queen!

Realisation Agency stand in quite strong contrast to each other. The task of the Board is to dispose of comparatively small transport units, which may have very little resemblance to those taken over four years ago; the problem of the Agency is to sell shares in comparatively large operating units, which, though now bigger in size, will be very much the same in structure to those nationalised in February, 1951. The Board will probably look first towards individuals, and then towards quite small companies, to buy the road haulage assets, while the Agency will probably look towards the support of former shareholders in the steel industry and of institutional investors, who will probably be asked to take up a bigger slice of steel shares than they formerly owned.

How, then, are the two disposal agencies to tackle their different tasks? Of the two, the *Iron and Steel Realisation Agency* has the more latitude in its operations. No time limit is imposed upon it; it will remain in existence until its duties have been "substantially" discharged. It must ensure "without disregard to other relevant matters, that the consideration obtained from the disposal of assets is financially adequate." While these sales are on, the Agency has to promote "the efficient direction" of the steel companies, and it has the power to lend money to these companies to finance their development programmes.

On the other hand, the *Road Haulage Disposal Board* is enjoined by the Act to dispose of assets "without delay and on the best terms available, and without avoidable disturbance of the transport system of the country." It must also ensure that part of these assets is made available for sale to persons of limited means, and, at the same time, it must have regard to "the desirability of avoiding any step which is likely to lead to the elimination or undue restriction of competition in the carriage of goods by road for hire or reward."

In arranging the sale of steel assets, the Agency has been given very flexible powers. It can reorganise the capital of any of the steel companies, amalgamate companies and create new companies to which the assets can be sold or hired. In other words, it can sell back steel shares very much how and when it likes; initially, its activities will

almost certainly be concentrated on selling back the assets, very much as they were before nationalisation, of the giants of the industry.

The clauses governing the operations of the *Road Haulage Disposal Board* are much more intricate—too intricate to be detailed in full in this note. For one thing, the *British Transport Commission* is broadly given the power to retain road goods vehicles in one or more companies, directly or indirectly under its control, so long as the unladen weight of these vehicles is not more than a quarter in excess of the weight of the vehicles taken over from corporate bodies when the industry was nationalised. On the problem of actual disposal to private owners, the Board, subject to the overriding provisions mentioned earlier, can arrange fleets of lorries into "transport units," for which it will invite purchase tenders from the public. It is not at all clear what a "transport unit" will actually be, but it is expressly stated in the Act that such a unit must not exceed in size fifty vehicles or in unladen weight 200 tons, though so called "additional vehicles" can be added to these units. Alternatively, the Board can form an unlimited number of companies (without any restriction on their size), to which the assets will be sold at net book values (that is, after deducting depreciation); shares in these companies are to be sold "in one parcel" by tender or otherwise. Failing the disposal of a company or a transport unit the Commission can, with the consent of the Minister, dispose of the assets in any other way. Broadly, then, the path along which the agencies can travel towards denationalisation has been laid down; the question now is where along this path will private buyers meet them?

Valuations for Rating

The new Valuation for Rating Bill seeks to amend the law for the ascertainment of the gross value, for the purposes of new valuation lists, of certain rateable properties, primarily dwelling houses, the valuation of which has for many years been a major problem. Rent restrictions defeated the object of the Rating and Valuation Act, 1925, so far as the valuation of dwelling houses was concerned, because while many

rents were thus artificially restricted, the rents of most uncontrolled houses were inflated by scarcity. In such circumstances what was the reasonable rent of any particular house?

The first two revaluations under the 1925 Act were thus only partially successful and the third, which should have operated from April 1, 1939, was postponed by the Government of the day because it feared there would be a sharp increase in the levels of rateable values of dwelling houses.

The Local Government Act, 1948, endeavoured to remedy all this by providing that a revaluation should operate from April, 1952, or April, 1953. It introduced a new basis for the ascertainment of the gross value of dwelling houses; save for certain exceptions, the gross value was to be 5 per cent. of the hypothetical constructional cost of the house in 1938, plus a similar percentage of the hypothetical site cost. The quite obvious difficulties of this formula caused the revaluation to be progressively postponed and have now led to this new Bill, with its fresh proposal for the ascertainment of gross value.

Under the Bill the valuation officer is required to estimate the rent at which a dwelling house could reasonably have been let on or about June 30, 1939, with the customary provisions for dealing with exceptional circumstances and conditions. This estimated rent will be the gross value. Although this implies a partial reversion to the pre-1948 basis for the ascertainment of gross value, the Bill, if enacted in its present form, would seem likely to make confusion worse confounded. How can a valuer estimate the rent which a house might have commanded fifteen years earlier? If it were let at a rent, how can he judge whether the rent was a fair 1939 one, and how much more difficult is his task if the house were unlet or even unbuilt in 1939? What was the 1939 rental value of a house erected after the war by a local authority on a new housing estate or by a Development Corporation in a New Town? These difficulties will increase as 1939 recedes further into the past.

By applying a 1939 basis for the valuation of a dwelling house the Bill will perpetuate the inequality which exists today between the valuations of commercial and industrial properties, on the one hand, and of dwelling

houses, on the other hand. Unless the Bill is amended, the gap will probably be widened, for valuations of dwelling houses will remain at a constant level as fixed on the 1939 basis, whilst those for commercial and industrial premises will be the subject of periodical revision on the basis of current rentals—past experience has shown that revisions are almost invariably upwards.

The new basis for dwelling houses will probably mean a higher total rateable value for local authorities than would have obtained under the capital cost basis of the 1948 Act, although it is noteworthy that the explanatory memorandum to the Bill states that it may "involve an increase in the Exchequer Equalisation Grants payable under Part I of the Act of 1948." But satisfaction in the local authorities that rates will be levied upon a higher total rateable value will be qualified by some concern at the prospect of less flexibility, over what may be a long period, in the level of rateable values for dwelling houses.

Taxation Reform

In his presidential address at the annual general meeting of the Association of Certified and Corporate Accountants, Lord Latham drew attention to the wide measure of agreement existing between the submission that had been made by the Association to the Royal Commission on Taxation and those made to it by the Institute of Chartered Accountants and by the Society of Incorporated Accountants. This was, he considered, all to the good, as it served "to enhance the force and value of the evidence tendered on behalf of the accountancy profession in a field of inquiry where the knowledge and experience of accountants should be of special value and assistance." However, on the one subject of the depreciation of fixed assets, continued Lord Latham, there still existed a difference of approach between the Institute, on the one hand, and the Association and Society on the other hand, although he thought it could fairly be said that "the evidence submitted by the Institute indicated that their views are now somewhat closer to those of ourselves and the Society than was formerly the case."

Lord Latham said that those sub-

mitting evidence to the Royal Commission were asked to indicate, when they had made recommendations which might involve a loss of revenue, which of these recommendations should have priority. The Association had stated that its recommendation on the taxation of annuities should take pride of place. Annuity payments, other than those for a fixed term, were treated for tax purposes as income in the hands of the recipient, although the greater part of them represented a return of capital. That, surely, could be neither defended nor justified. He was quite sure, said Lord Latham, that their actuarial friends could devise a reasonable basis of apportionment into capital and income which would be acceptable to the Inland Revenue.

We refer in our Editorial on page 176 to Lord Latham's remarks on the regulation of the accountancy profession.

The Institute President on Management Accounting

In his address at the recent annual general meeting of the Institute, Mr. T. B. Robson, M.B.E., M.A., F.C.A., the President of the Institute of Chartered Accountants in England and Wales, discussed management accounting. Management increasingly needed advice on the machines and processes that would best meet its requirements and on the adaptations that would have to be made in its accounting systems if they were to give "up-to-date information while conforming to every reasonable standard of internal check and meeting the requirements of the Companies Act and the auditor." Mr. Robson went on to claim that a training in the fundamentals of accountancy was a far better qualification for rendering the necessary service to management than was possessed "by many of those who have invaded this field of activity and who have not our basic accounting training to assist them." He continued:

I do not mean that we can work in isolation, without consultation with those who are engaged in the industrial processes and other practical phases of business; but I do want to emphasise that accounting system work is not a mysterious cult which need make us feel that it is outside our ability or scope.

Mr. Robson's purpose was apparently to show that a special qualification in management accountancy, like the Fellowship recently introduced by the Institute of Cost and Works Accountants, was unnecessary: he divulged that the Institute of Chartered Accountants had been invited to join in working the scheme for this Fellowship, but had declined.

We comment in our Editorial article on page 176 on another part of Mr. Robson's address on the subject of the co-ordination of the accountancy profession.

The Society's Examination Results

The Council of the Society of Incorporated Accountants announces that the results of the examinations held in May, 1953, will be declared on July 22.

Mr. J. C. Latham, D.L.

Mr. J. C. Latham, D.L., has retired from the secretaryship of the Association of Certified and Corporate Accountants, a post which he has held for 31½ years.

The Association itself is just 49 years old and its members have cause for self-congratulation in the fact that for all but 18 years of its life, Mr. Latham has been its chief executive officer. It was he who was largely responsible for the rapid growth in the size of the Association—in 1921 there were 2,234 members and now there are nearly 8,500—and for obtaining the full statutory recognition which it now enjoys. The chief milestone in the Association's battle for statutory recognition—fought with skill and dogged persistence by Mr. Latham—was the Cardiff Corporation Act of 1930. Notable dates in the growth of the Association were its absorption of the Corporation of Accountants in 1938 and of the Institute of Certified Public Accountants in 1941. Both of these absorptions were, again, primarily the result of Mr. Latham's continued labours.

Mr. Latham became a member of the Association in 1919 and was admitted an Associate of the Society of Incorporated Accountants in 1920. He is also a Fellow of the Chartered Institute of Secretaries. In 1949 he

became a Deputy Lieutenant of the County of Middlesex.

While wishing Mr. Latham health and happiness on his resignation of the secretaryship of the Association, we are pleased to learn that his activities on behalf of the Association are not to cease entirely: he has accepted an invitation from the Council to continue as part-time director in an executive and consultative capacity.

I.C.F.C.

The *Industrial and Commercial Finance Corporation* continues its unspectacular but solid contribution to the British economy. Last year it received 416 applications for funds on behalf of British industry, compared with 568 applications in 1951-52, and it made 93 offers to provide capital, compared with 177 in the previous year.

At March 31, 1953, its invested funds amounted to £26.3 million after provision for doubtful debts, and it was in addition under contract to provide further funds of £1.2 million; the total of £27.5 million was an increase of £0.9 million compared with a year previously.

The I.C.F.C. obtains its resources mainly from shareholders in the form of loan capital, and with the rise in money rates in 1952 had to pay increased interest to its shareholders. The Corporation lends, however, at fixed rates or subscribes for share capital which is predominantly at fixed interest. The twofold effect was that its profit margin on new business was much narrowed last year.

In its report, the Corporation records its part in promoting the recent formation of the *Estate Duties Investment Trust* ("Edith"), of which it has undertaken the management, placing its entire organisation at the disposal of the Trust. This trust company was, it will be recalled, formed to assist in the provision of funds for concerns hit by the incidence of estate duties payable by main shareholders. Its capital of £1 million is subscribed in the main by insurance and investment trust companies.

The Northern Ireland Budget

The Northern Ireland Budget was presented on May 5, by Mr. Maginness, the Minister of Finance.

He announced that to alleviate unemployment in Northern Ireland all building restrictions would be removed and an annual grant of £750,000 would be made to stimulate the expansion of industry.

There was a rise of £6.2 million in estimated expenditure for 1953-54, and a fall in revenue of £5.6 million. The full impact of this would be felt by the contribution to the Imperial Exchequer, which would be reduced from £20.5 million to £8.6 million. By its acceptance of the smaller contribution, the Imperial Government has marked its recognition of Northern Ireland's difficulties. The Minister stressed the importance of maintaining the Imperial contribution in future years at as high a level as possible. The contribution was not a form of tribute but was to cover Imperial expenditure from which Northern Ireland derived considerable benefit, including food subsidies, agricultural subsidies and diplomatic representation.

The legislation on direct taxation in Great Britain was confirmed for Northern Ireland.

The Minister announced that entertainments sponsored by charitable societies were to be exempt from entertainments duty. Mr. Butler's concession for cricket matches was unnecessary in Northern Ireland, where for many years outdoor sports had been exempt from entertainments duty.

It was proposed to accept at par value Northern Ireland securities which might be issued in the future in satisfaction of death duties.

It was considered that some additional financial assistance to industry in Northern Ireland was required and a scheme was being worked out to stimulate new enterprises. The scheme would operate on the basis of coal consumption for industrial purposes: full details would be announced as soon as possible.

Building Societies' Interest Rates

The Chairman of the *Building Societies Association*, Mr. Hubert Newton, said at the annual meeting last month that in 1952, a year of much dissaving, the building societies attracted funds because of their pre-payment of income tax. Shareholders' investments in building societies rose last year by

£120 million. The pre-payment of income tax appealed to many small depositors who had been brusquely reminded that interest on deposits in the Post Office Savings Bank and the Trustee Savings Banks must be returned for tax purposes. Many of these people had thought of the interest on their bank deposits as tax free. They found what they wanted in building society investments.

Mr. Newton said that the Association's policy that building society rates of interest should be kept relatively low was justified not only by the fact that investments nevertheless rose last year but also because the majority of building society investors and borrowers placed great value upon stability in rates over long periods. The Association also wished to keep down the cost of house purchase. To go beyond the minimum increase in rates would not be good policy, for it would upset public confidence in the building societies, and would also put them in an unfavourable competitive position, particularly with local authorities offering lower rates for loans.

It will be recalled that when Bank rate was raised to 4 per cent. early last year, the Association advised members that rates of interest should be a maximum of 2½ per cent. on fully-paid shares, a maximum of 2 per cent. on deposits (subject to the composite rate of income tax) and a minimum of 4½ per cent. on new advances to owner-occupiers.

Reforms in the System of Local Rates

The rating system is labouring under the weight of expenditure imposed upon local authorities by the postwar development of social services. Rate poundages for 1953-54, which are almost everywhere much higher than those for the previous year, show that the pressure is increasing. Buttressed all round by a complication of Exchequer grants, the system continues to work, but many of those concerned with the finances of local government believe that changes are due.

In recent months two reports on this subject have become available. One is the last of five reports published by a working party of representatives of the Incorporated Accountants' Research

Committee, the Institute of Municipal Treasurers and Accountants, the Society of County Treasurers and the University College of the South-West of England.* This team has examined the effectiveness of one of the more important forms of government aid, the Exchequer Equalisation Grant. The grant, introduced in 1948, was designed to ensure that the councils of counties and county boroughs should have the benefit of a guaranteed minimum of rateable resources. Authorities whose rateable value per head of population—weighted for variations in the proportion of children and, to a limited extent, for sparsity of population—is above the average for England and Wales do not receive this grant. Those whose weighted rateable value per head is below the average receive grants in aid of expenditure proportionate to their respective deficiencies of rateable value.

The report, which gives the recommendations of the working party—the four preceding reports contained an exhaustive analysis supported by a wealth of statistics—is persuasive and very well written. The team finds that equalisation of rateable resources—leading to rate poundages which are proportional to expenditures per head—is a sound basis for a subvention in aid of local rates generally and is not likely to lead to serious extravagance (as some have alleged). It sees no particular merit, however, in using the national average as the datum line, which, if more money is put into the equalisation grand pool, should be raised.

Rateable value per head has many defects as an index of capacity to pay, says the working party, but it suggests that these are part of the price which must be paid for local democracy. The recommendation is made that weighting for children and sparsity should be eliminated from the formula. So far as services are costly because of specific factors, such as high proportions of school children, or high road mileages, this should be recognised, not by weighting in the calculation of the equalisation grant, but by adjustments in the specific grants (for example, the education or roads grants). So far as

the abnormal financial circumstances of a few “sparsity” counties need recognition, they should be recognised by specific compensation outside the equalisation grants.

The team believes that local resources need to be increased in a way which would foster local independence. The report recommends that de-rating of agricultural land and industry should be abolished, and asks for consideration to be given to the levying by local authorities of a land tax and the transfer to local authorities of the proceeds of the entertainments tax. The working party also makes far-reaching and well thought out suggestions for improving other parts of the equalisation grant system, in particular, its distribution within counties, which it finds does not at present lead to that proportionality of rate poundages which is the characteristic achievement of the grant by the main authorities.

A document of a rather different order has come from the Treasurers of the twenty-seven county borough councils with rateable resources above the datum line, which in consequence do not receive equalisation grant.† Their report is a piece of vigorous special pleading. They argue that the effectiveness of the equalisation grant depends upon uniformity of valuation throughout the country; that uniformity is not yet in sight; that in any case rateable values in themselves are not a reliable indication of the resources or needs of local authorities. They would therefore substitute a grant primarily related to population, but realising that a change which would very seriously reduce the amount of grant now receivable by some of the poorest authorities is not practical politics, would compromise on a formula which takes into account both population and rateable value per head of weighted population, and limits the losses of the authorities whose grant would be reduced thereby. This report has been sent to the Minister of Housing and Local Government, who is now carrying out the duty imposed on him by the Local Government Act, 1948, of investigating the working of the grant provisions of the Act.

* *The Effects of the Local Government Act, 1948, and other Recent Legislation on the Finances of Local Authorities.*—5. Conclusions. (“Accounting Research,” Vol. 4, No. 1.)

† *Exchequer Equalisation Grant—Report of the Treasurers of County Borough Councils not receiving the Grant.*

SHORTER NOTES

Business Efficiency Exhibition

The Business Efficiency Exhibition opens at Olympia on June 16, and continues until June 26 (see our Professional Note on page 76 of the March issue). More than 80 firms making business appliances and machinery will participate in the Exhibition. June 18 has been set aside as a special day for Incorporated Accountants and members of the Society can visit the Exhibition on that day by ticket, obtainable at Incorporated Accountants' Hall.

“Uplift” for Purchase Tax

The Purchase Tax (Valuation) Committee, which was under the chairmanship of Mr. Frederick Grant, M.C., Q.C., reported last month. It recommended that for the computation of purchase tax “uplift” should not be applied to the actual price of goods by interposing an imaginary wholesale merchant, or by reference to wholesaling costs not actually incurred by the purchaser. The majority recommended, however, that the actual price should be “uplifted” for discounts on large purchases or for reductions in the price obtained by a buying advantage of the retailer. Two members of the committee opposed this last recommendation, mainly on the grounds that it would tend to deprive the buying public of the benefits of economies in distribution.

International “Accounting Days”

A conference of four “international accounting days” is being held in Paris from June 11 to 14. The conference is organised by the *Fédération Nationale de la Profession Comptable Appointée* in collaboration with the *Comité National Français des Professionnels de la Comptabilité*. The working sessions are to be largely devoted to international aspects of accounting. Particulars are obtainable from the *Fédération* at 47, rue Cambon, Paris 1^{er}.

Lecture for Students by Professor Bray

Professor F. Sewell Bray is to give a lecture for students at Incorporated Accountants' Hall on the subject, *Public Company Audit Standards*. The lecture will be given on Monday, June 22, commencing at 5 p.m. The lecture is not included in the official series of research lectures.

Cost Accounting in Turkey

Cost accounting is among the subjects included in the programme of a team of specialists now in Turkey under the auspices of the United Nations Technical Assistance Service.

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The Regulation of the Profession

"THE COMPLETE REGULATION OF THE profession remains the ultimate objective of the Council," said Mr. C. Percy Barrowcliff, the President of the Society of Incorporated Accountants, at the annual general meeting last month. "This objective has been the traditional policy of the Society and it has been fostered and developed throughout the years by successive leaders." There is certainly no doubt about the consistency of the Society's official views on the need for a measure regulating the profession of accountancy. A reference to the special Coronation article *Accountancy in Five Reigns*, written by Mr. A. A. Garrett, an honorary member and the former Secretary of the Society, and published on pages 177-180 of this issue of ACCOUNTANCY, will show, what is not always appreciated, how near in earlier days these views were to being translated into legislation. The Institute of Chartered Accountants in England and Wales had as early as 1902 expressed themselves, through their President's address at the annual general meeting, as accepting statutory registration of the profession. In 1911 the Professional Accountants Bill went before Parliament as a measure agreed by the English, Scottish and Irish bodies of Chartered Accountants and by the Society. In recent times prolonged consultations among the main bodies of accountants seemed likely to culminate in the presentation of another agreed Bill to Parliament and only a relatively short time ago did it become plain that these efforts were abortive.

Yet even though the draft Public Accountants Bill of 1947 has now been pigeon-holed, there is remarkable unanimity in favour of regulation

among the bodies. In his address at the annual meeting, the President of the Society rightly emphasised the benefits to the public of a regulated profession:

Despite the vital place the profession now occupies in the life and economy of the country, it is still possible for anyone without training or the qualification of one of the recognised bodies to hold himself out as an accountant and to presume to carry out certain work of a highly skilled character for members of the public. In addition to the obvious limitations of such persons to accept responsibilities of this kind, resulting most often in unsatisfactory service and unfortunate results, there is no disciplinary action available in such cases for unprofessional conduct in dealing with clients' affairs as there is in the case of the members of the recognised bodies of accountants. The public are entitled to protection from these inexperienced and unqualified persons posing as accountants. I hope the day is not far distant when it will be more generally realised that it is a matter of public concern that the accountancy profession should be registered.

Addressing Certified Accountants as President, at the annual general meeting of their Association, Lord Latham drew particular attention to the inability of leaders of the other professions and of business to understand why the accountancy profession lagged so far behind other professions in organising itself.

The President of the Institute of Chartered Accountants in England and Wales, Mr. T. B. Robson, concentrated rather more, at the annual general meeting of the Institute, upon the difficulties lately encountered in proceeding with the draft Public Accountants Bill, but did so in a context of approval for the principle of regulation:

For any form of statutory protection to

be of real use the definition of public accountancy activities would need to be wide enough to embrace matters such as taxation work. But this type of work has been performed for many years by the trustee and taxation departments of banks, by solicitors, estate agents, retired members of the Inland Revenue staff, and others of like standing. The more we examined with our advisers the possibilities of making effective the terms of the draft bill for co-ordination which was approved in 1946 by our own Institute and the other recognised bodies, the more improbable did it appear that Parliament would see fit to exclude vested interests such as those to which I have referred from the right to continue to engage in what we regard as accountancy activities. Without such exclusion the possibility of excluding the quack seemed remote.

Those of us who had worked so hard for co-ordination over many years were very disappointed to have to admit defeat; but defeated we were and we may as well frankly admit it.

With such general agreement among the bodies on the urgent need for co-ordination of the profession, it seems only reasonable that endeavours should be renewed to overcome the difficulties to which Mr. Robson referred. After all, not dissimilar difficulties have been surmounted in other countries in which the accountancy profession has been regulated.

It is, as far as it goes, satisfactory that there is now a prospect that Section 161 of the Companies Act of 1948 will be extended to provide that only members of the recognised bodies of accountants should act as auditors of exempt private companies (as well as of other companies, as at present). But this is a comparatively modest advance. It really does little more than correct an anomaly that ought never to have found a way into the 1948 Act. Suggestions have also been made that a further step would be taken towards the essentials of co-ordination of the profession if it were laid down that the Inland Revenue should accept, for tax purposes, only accounts and computations certified by a member of a recognised body. These suggestions, at least when stated *simpliciter* in this way, seem likely to encounter all the obstacles, referred to by Mr. Robson, that stood in the way of the Public Accountants Bill, and it would seem to be better to make another determined effort at regulation itself.

Accountancy in Five Reigns

By A. A. GARRETT, M.B.E., M.A.

(Honorary Member of the Society of Incorporated Accountants)

HER MAJESTY'S SUBJECTS IN THE UNITED KINGDOM AND Commonwealth instinctively think of history in terms of reigns. The accessions of monarchs punctuate and indeed influence its major and minor trends. For instance, significance in both senses is attached to such connotations as "Elizabethan," "Victorian" and "Edwardian." In that context, the forthcoming Coronation of Her Majesty—the fourth Coronation within living memory—prompts a review (but necessarily with many omissions) of some broad features of the accountancy profession at the periods of the Coronations of Edward VII (1902), George V (1911) and George VI (1937) and to the present time.

At the beginning of the reign of Edward VII two of the bodies now part of the Institute of Chartered Accountants of Scotland were approaching their fiftieth anniversaries: the Institute of Chartered Accountants in England and Wales had recently celebrated its coming-of-age, whilst the Society of Accountants and Auditors had reached its seventeenth year of activity and the Institute of Chartered Accountants in Ireland its fourteenth year. The English Institute has already built its fine hall in Moorgate Place, the architect being John Belcher, R.A. The Association of Certified and Corporate Accountants was founded subsequently—1905.

The membership of the accountancy bodies at the (approximate) dates of the four Coronations is indicated hereunder.

	1902	1911	1937	1952
Institute of Chartered Accountants of Scotland .. 1854	785	1,280	4,153	5,349
Institute of Chartered Accountants in England and Wales .. 1880	2,942	4,391	12,568	16,856
Society of Incorporated Accountants and Auditors .. 1885	1,763	2,442	7,216	9,518
Institute of Chartered Accountants in Ireland .. 1888	60	100	404	860
Association of Certified and Corporate Accountants .. 1905	—	1,897	5,985	8,314
	5,550	10,110	30,326	40,897
Institute of Municipal Treasurers and Accountants .. 1885	247	455	1,022	4,089
Institute of Cost and Works Accountants .. 1919	—	—	1,131	3,912

No doubt such figures should be interpreted with restraint, but they are at least one indication of the remarkable progress of the profession. Economic changes during five reigns have called increasingly for a more highly skilled and extensive accountancy service throughout the economy, whether at home or overseas: and the work and policies of the governing bodies have been actuated by the fostering of high standards in training, membership, professional conduct and skill. The increase in membership has been subject to those imperative considerations.

Fifty years ago accountancy was a comparatively youthful profession and the individual bodies were concerned to establish status and tradition, although the profession was by no means free from polemics!

For many members, the solution seemed to be in statutory registration for the profession, the case for which was accepted by the President of the English Institute in his presidential address in May 1902; and was otherwise presented with lucidity by the pen and the wit of Mr. Harry Lloyd Price, subsequently President of the Society.

But in other ways the profession found more solid ground for assurance. The end of the South African War in May, 1902, brought relief to the nation and the promise of prosperity and of reduced taxation—notwithstanding the burden of a considerable increase in the National Debt. Probably the most important factor in the immediate and subsequent fortunes of the profession was the Companies Act of 1900. Previously, under the Act of 1862, the audit of accounts was provided only in the model set of regulations contained in Schedule A to the Act. The Act of 1900 imposed for the first time a compulsory audit on all companies and made provision for the appointment of auditors. Although it became the practice generally to appoint professional accountants, it took 48 years before a Companies Act prescribed in terms the qualifications essential for auditors of public and non-exempt private companies, still leaving to the future the possible extension of the provision to all companies, whether public or private. As a consequence of the Companies Act, 1900, much discussion in the profession, as well as articles in professional periodicals, were related to the provisions of the Act and to the several judgments of the High Court—now become classic and venerable—bearing upon the duties and responsibilities of auditors. Was it not a period of discovery and of the formation of principles—limited, no doubt, if measured by currently accepted standards and requirements?

However, definite progress was made, and the Companies Act of 1907 (subsequently embodied in the Companies (Consolidation) Act of 1908) expanded the provisions as to auditors and provided facilities for the private company. In making their report to the shareholders on the accounts, the auditors were now required to state whether or not they had obtained all the information and explanations they had required.

Bankruptcy practice and deeds of arrangement constituted a more conspicuous proportion of professional work than is the case today: the private company accounts to some extent for the change. Certainly in the professional journals considerable space was given to information on

insolvency practice relatively to that allotted to information on income tax. In fact the paucity of information and comment on income tax are very noticeable. In particular, practically no information was given in the issues of periodicals following the introduction of the Budget each year by the Chancellor of the Exchequer. The attitude taken was indicated in an article in *The Accountant* in April, 1902, "Second Thoughts on the Budget" (apparently published with reluctance), which opened:

It is not our custom to deal in detail with questions of national finance and taxation, but the somewhat exceptional circumstances obtaining at the present time have induced us to break through a rule which, under ordinary conditions, is we think a wise one.

The article was somewhat critical of past Government policy which led to a standard rate of 1s. 3d., imposed during the South African War. The rate was reduced to 11d. next year! In subsequent years there was increasing attention to certain unfavourable features of income tax administration.

Local politics at that time were largely concerned with municipal trading. This raised questions about the kind of audit appropriate for local authorities. The profession with great reason claimed that municipal trading called for a professional and not an official audit—still less an elective audit under the Municipal Corporations Act, 1882. There were also technical aspects relative to depreciation and the operation of sinking funds. It seemed that the question had come to a head by the 1903 report on Municipal Trading of the Joint Select Committee of both Houses of Parliament under the chairmanship of the Earl of Crewe. The report recommended *inter alia* that professional auditors with prescribed qualifications should be appointed by corporations, county councils and urban district councils in England and Wales. But unfortunately the report was pigeon-holed and no general step was taken to implement the recommendations. Over a long period of years, however, many municipal corporations took power by local Acts to appoint professional auditors, until in the 1933 Local Government Act the choice of elective or professional or district (government) audit was in effect left in the hands of each corporation without special legislation.

In Scotland, the audit of accounts of local authorities was entirely professional—and that remains the position today.

The reign of Edward VII may be regarded as the second formative period in the accountancy profession—exclusive of Scotland, where the fiftieth anniversary of the Society of Accountants in Edinburgh was celebrated in 1904, followed by the publication of a learned work "The History of Accounting and Accountants" by Richard Brown, sometime Secretary of the Edinburgh Society.

The Faculty of Commerce was established in Birmingham University with Professor Lawrence R. Dicksee as the first Professor of Accounting: he was subsequently translated to the University of London.

In 1907, the Society of Accountants and Auditors obtained a judgment in the High Court which granted to its members the exclusive right to the designation Incorporated Accountant; and in 1908 the name was changed to the Society of Incorporated Accountants and Auditors.

Other bodies have also secured legal protection of their respective designations.

Interesting developments were taking place in all the British Dominions, including, in 1904, the Transvaal Accountants' Ordinance, and legislative and other activities in Canada, Australia and New Zealand. The Transvaal Ordinance set up control of the profession in the Transvaal and was but recently repealed by the Act of the Union Parliament, which governs the profession throughout South Africa. The first Annual Convention of Public Accountants in U.S.A. was held at Washington, D.C., in 1902, and in 1904 the First International Congress took place in St. Louis.

In the national sphere, the first non-contributory old age pensions were introduced in 1908, and a differential rate of income tax between earned (taxed at 9d.) and unearned income (taxed at 1s.) first obtained in 1907-8.

The Lloyd George Budget of 1909, almost revolutionary in content and politically acrimonious, had far-reaching consequences, both from the financial and constitutional points of view. The somewhat elaborate taxation provisions of the 1909 Budget (including the first super-tax) prompted the editors of the accountancy publications to give a statement, limited to but one column, of the actual rates of tax. Comment on the Budget would have seemed like playing with fire, and the editors were undoubtedly correct in their judgment.

It was the melancholy duty of the presidents of the accountancy bodies to refer at the annual meetings in May 1910 to the death of Edward VII, which had recently occurred. The early years of the reign of George V to the outbreak of the Great War in 1914 were crowded with events, which had considerable impact on the profession.

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The philosophy of the 1909 Budget found further expression in the first National Insurance Act of 1911, which, if it was accepted with some hesitation, has proved of immense benefit. Insurance became compulsory for all manual workers and for others earning under £160 p.a., at a cost of 3d. a week to the employer, 4d. to men employees and 3d. to women, and 2d. to the State. In terms of the political arithmetic of that day, it was presented as 9d. for 4d. The insured enjoyed medical, sickness, disablement and maternity benefits. Limited unemployment insurance was provided by Part II of the Act, mainly for seasoned trades. The principle and practice established in 1911 have been extended from time to time until in 1948 National Insurance became universal, with the addition of contributory old age pensions (established earlier, however, on a more modest basis).

An attempt to secure the professional audit of Approved Societies, through which national insurance in 1911 was administered, was not successful; and the National Insurance Audit Department was set up, staffed originally for the most part by men drawn from the profession.

Although now almost a forgotten item of professional history, the year 1911 saw the introduction into the House of Lords of the Professional Accountants Bill, agreed by the English, Scottish and Irish Chartered Accountants and the Incorporated Society. That such an advanced stage was

reached was due to conciliation and understanding on the part of the councils of the bodies concerned, and not least to the mutual regard and ability of Hon. George Colville, then Secretary of the English Institute, and Mr. (afterwards Sir) James Martin, then Secretary of the Society. The Bill was read a second time and sent to a joint committee of both Houses; but the opposition of a private member in the House of Commons prevented its reference to the joint committee, and the Bill was inevitably dropped.

The period 1914-18 brought new and unprecedented problems to the profession. At the outbreak of war, financial panic was averted by drastic steps on the part of the Government and of the financial authorities. Among the steps taken were a moratorium, a high bank rate, the closing of the Stock Exchange (for some months), and the issue of Treasury notes as day-to-day currency, which was an innovation.

Men left to join H.M. Forces and the country and the profession were saddened by the heavy casualty lists. With depleted and substitute staffs (of whom some for the first time were women), firms were called upon to carry out new duties, and many partners and non-practising members of the profession were, either full time or part time, appointed to Government departments. Contracts for munitions were frequently related to cost, a new feature which became more familiar to a later generation of accountants.

The pre-war standard rate of income tax of 1s. 3d. rose, until in 1918-19 it was 6s. in the pound. Super-tax was increased and death duties became heavier. New *ad hoc* taxes took the form of a Munitions Levy and Excess Profits Duty. Inflation appeared as an unfamiliar and unhappy experience, and became intensified immediately after the war. Reference must be made to the Income Tax Act, 1918, which consolidated previous income tax legislation: a process which was repeated with great advantage in 1952.

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Almost coincident with the Armistice of 1918, the Society, not without opposition, took power to admit women to membership: this practice became generally mandatory on professional bodies by the Sex Disqualification (Removal) Act, 1919.

The re-absorption or entry into the profession of men whose careers had been interrupted or deferred became a willing and heavy task for the professional bodies, which also acted in an advisory capacity relative to Government training grants to ex-Servicemen.

A review of company law was undertaken by a Departmental Committee under Mr. Wilfrid Greene, K.C. (subsequently Lord Greene, M.R.). A new Companies Act (1929) prescribed more precisely the appointment of auditors and purported to give them more security if a change were contemplated. The keeping of proper books of account was made a statutory obligation and there were provisions as to the contents of accounts laid before a general meeting and as to the statement of balance sheets.

With regret it must be said that in the 1920's the facts of professional history gave rise to considerable dissidence among the professional bodies on the questions of status and organisation. Events led to the appointment of a Depart-

mental Committee under the distinguished chairmanship of Viscount Goschen. In 1930 the committee reported unanimously that on the evidence submitted "it was not desirable to restrict the practice of accountancy to persons whose names would be inscribed in a register established by law." The report was received by the profession with a mixture of acceptance, indifference and disappointment. In view of the conflict of evidence and of desires before the committee, the result was hardly surprising. But a partial solution was found in the audit provisions of the Local Government Act, 1933, which, as regards the professional audit of corporations, prescribed specific accountancy qualifications as a condition of appointment. The precedent has been followed in subsequent years and generally speaking obtains in the case of the nationalised industries.

In another direction, anxiety beset the profession. Trouble arose over the form of the statement in a published profit and loss account of the credit balance, which included a transfer from a previous provision no longer required. Circumstances pointed to the need for more information in the published accounts of companies, an improvement which over a period of years from the 1930's was voluntarily effected by the co-operation of companies and the profession.

The more serious preoccupations of the twenty-one years from 1918 to 1939 were happily accompanied by many gracious occasions. Incorporated Accountants' Hall was opened in 1929 by H.R.H. the Duke of York (afterwards H.M. King George VI). The hall had been erected in 1895 by the first Lord Astor, who retained for the work a distinguished architect, J. Loughborough Pearson, R.A. The Jubilee of the English Institute (President, Sir William [afterwards Lord] Plender) and the Fiftieth Anniversary of the Society (President, Sir James Martin) are among the happy recollections of those who took part.

A series of International Congresses on Accounting held in Amsterdam, 1926, New York, 1929, London, 1933, and Berlin, 1938, brought together accountants from many countries, and continuation was successfully maintained by the Congress in London in 1952.

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There was great rejoicing in London when, in 1935, King George V and Queen Mary and their subjects celebrated the twenty-fifth year of the King's reign. A beautiful June day was a fine setting for memorable demonstrations of affection and loyalty in all parts of London. When the King and Queen came to the City they were met by the Lord Mayor, who was Sir Stephen Killik, F.S.A.A.

The last decade of the reign of George V was a time of industrial troubles, economic depression and widespread unemployment. The return to the gold standard with much deflation had been ill-judged: but by the end of the reign the country had emerged from the intense phase of the depression.

The economic scene had been enlightened by the report of the Royal Commission on Income Tax in 1920 and by the labours of the Colwyn Committee on National Debt and Taxation (1924-7) and of the MacMillan Committee on Banking, Finance and Credit in 1931, and not least by the powerful writings and thought of J. M. Keynes (later

Lord Keynes), which have dominated economic thinking and have influenced policy since that time. It was from the report of the Royal Commission on Income Tax that several current features emerged, such as earned allowance (instead of differential rates of tax), married and children's tax allowances and the treatment of profits of private companies relative to the then current super-tax. The MacMillan Committee found a gap in the resources available for financing small and medium-sized concerns: these concerns relied mainly on quasi-temporary banking accommodation and spasmodic private resources, which were inadequate. This situation led some years later to the formation of the Industrial and Commercial Finance Corporation Ltd.—supported by the banks—and to specialised attention by certain issuing houses, both of which assist sound undertakings of that type.

Here reference may be made to the effects of taxation as reflected in the figures of receipts from Inland Revenue Duties published by the Board. In 1898-99, the total of Inland Revenue Duties (exclusive of Excise) was £43.9 million; while in 1952-53 the total was £2,450.6 million, a ratio of 1 to 56. Included in these figures are receipts from income tax (excluding sur-tax), which during the period rose from £18.0 million to £1,736.2 million, and from death duties, which from £15.7 million became £151.8 million. And in 1952-53, sur-tax accounted for a further £131.2 million and Profits Tax, E.P.T. and E.P.L. for £379 million.

But to return to the domestic sphere of the profession, the period was marked by much development and activity on the part of branch and district organisations and students' societies, which form an effective link between the general body of members and students and the respective councils. And in the British Commonwealth, U.S.A. and other countries, organisation and standards were expanding and improving: mutual visits have been a source of much inspiration. The fact was that both at home and overseas the accountancy profession had become a vital factor in the economy of a modern State.

The law and practice relating to companies was exhaustively examined by the Cohen Committee, and its report, published in July, 1945, culminated in the compendious Companies Act of 1948. Detailed prescription of the contents of company accounts was substituted for the previous comparative latitude, and published company accounts now exhibit extensive information. In fact professional opinion seems now to be moving towards some degree of simplification.

This is not the occasion to review the multitudinous events in the profession in the war years and the final years of the reign of George VI. But, commencing earlier, intensified in the reign of George VI and offering much promise in the reign of H.M. Elizabeth II, are those several developments which, it may be hoped without pretension, express the intellectual characteristics of the profession. They have certainly contributed to the *esprit de corps* and to the social life within the profession and established valuable contacts with universities and other organisations at home and abroad.

The challenge which Dr. J. C. Stamp (afterwards Lord Stamp) made to the younger men in his address to Incorporated

Accountants in Liverpool in 1921 (and at other times) has been taken up, and has led directly or indirectly to many effective undertakings. Moreover, the professional bodies have continuously assumed greater responsibility in regard to professional education and for providing the profession as a whole with information on technique and with new ideas.

With the goodwill of colleges at Oxford and Cambridge short refresher courses have been given by the professional bodies for members. The first course was organised by the Society and was held at Gonville and Caius College, Cambridge, in 1934. Several courses of this kind were arranged for ex-Service members by the bodies in 1945-46 with great advantage. Other universities have given facilities for similar courses arranged by district societies, mainly for students.

A scheme of education between several universities and the profession in England and Wales became operative after the last war: but the response to these efforts, while useful, has unfortunately not altogether lived up to anticipations.

Great progress, however, has been made in the organisation of research. The bodies mentioned in this article for some years have had active research committees (by whatever particular names they may be known): also Commonwealth bodies and the American Institute of Accountants. These committees and their members have covered a wide field of work which has resulted in many publications or schemes of an advanced character: to mention but a few: The English Institute's series on "*Principles*" and the Society's *Design of Accounts* and periodical *Accounting Research*. The founding of the Stamp-Martin Chair of Accounting at Incorporated Accountants' Hall is the most recent expression of confidence in research as a future factor in the profession.

Financial administration and accounting for management purposes have within the last decade assumed great importance, and both formal recognition and general acceptance have been given to the status of qualified accountants holding whole-time appointments as controllers and chief accountants in industry, commerce and finance.

The effect of economic, taxation and political policies and the aftermath of war have touched the work of the profession in every section. The fall in the value of money and rapidity of obsolescence have given rise to obstinate problems in providing for depreciation and meeting the cost of replacing assets. The weight of these problems has been greatly intensified by the inroads of taxation, under several headings, on profits and on potential savings. The structure and consequence of direct taxation is now the subject of consideration by a Royal Commission under the chairmanship of Lord Radcliffe.

At the opening of the new reign each body in the profession may happily count its blessings and may contemplate the future of accountancy with renewed confidence. On June 2, 1953, all members of the profession in the United Kingdom and Commonwealth will leave their problems and professional pre-occupations to join dutifully in acclaiming Her Majesty Queen Elizabeth.

Royal Associations With The City of London

By R. ROBERT, A.C.I.S.

EVEN THE MOST CURSORY PERUSAL OF history makes it clear that relations between the monarchs of England and the merchants of the City of London have been long, intimate, and sometimes dramatic. Marked not infrequently by extreme hostility, they have on other occasions been characterised by an almost conspiratorial friendliness. Time after time we find the City defending itself against Royal encroachments; time after time the quarrels are seen to be patched up, and the mutual mistrusts turned to admiration across the wine cups and the strong meats of the banqueting table.

After the Romans had made it the largest and most wealthy trading centre in northern Europe, we know that Londinium was destroyed by the native Queen, Boadicea, provoked to revolt by the harsh rule of the foreign overlords. Then, many centuries later, Canute, who was afterwards to become King of England, attempted to humble the pride of its citizens. Twice in a single year he besieged London, with an army on land and a fleet of warships on the Thames, to be twice beaten back in shameful defeat.

These are remote, far-away events, but the Canute incident, at least, is an early manifestation of the dauntless courage of Londoners, and of the corporate spirit for which they are remarkable to the present day.

A brief account of the associations between the Crown and the City may well begin at the point where William the Conqueror, having won the Battle of Hastings, thrust his forces into the interior of the country. London lay before him, but he avoided it, knowing it to be a bristling hedgehog, a nerve-centre of resistance. The wily Norman knew better than to attempt a direct assault. Occupying the surrounding countryside, he cut the City off from the hinterland which supplied it with materials and with food. When, at

last, the elders of the City decided to bow to the inevitable, and to acknowledge the Conqueror, they were yet able to wrest important concessions from him, and to have those concessions embodied in a charter of liberties.

This historic document, written, it should be noted, in homely Saxon, the native language, confirmed that there were to be no revolutionary changes in London's government: its status was to remain as it had been in King Edward the Confessor's day. Addressing himself to the Bishop of London, the Conqueror wrote in conciliatory strain:

William the king greets William the bishop and Godfrey the Portreeve, and all the burgesses within London, French and English, friendly. And I grant that they may retain all their laws as they were in Edward's day. And I will that each child shall be his father's heir. And I will not suffer that any man do you wrong, and God you keep.

Having made his peace with the ecclesiastical and secular authorities, William set about building the Tower of London, for the defence of the City, and also perhaps for the intimidation of the burgesses. He wanted to secure his hold on the glittering prize, and his successors, William Rufus and Henry I, both spent treasure in extending the great castle—and for the same purpose.

The First Mayor of London

Royal associations with the City are so numerous that any selection of events for particular mention must necessarily be arbitrary. But, passing on from the Norman Conquest, there do appear one or two historic land marks which seem essential to the narrative. One such is the granting of a further charter to London citizens.

"In the first year of King Richard," John Stow informs us in his immortal *Survey*, "the citizens of London obtained to be governed by two bailiffs, which

bailiffs are in divers ancient deeds called sheriffs . . . they have also obtained to have a mayor to be their principal governor, and lieutenant of the city. . . ."

The King, short of money, had made this important concession in consideration of a payment by the City of three hundred pounds per annum, and the first officers, appointed in 1189, were named Henry Cornhill and Richard Reyners, bailiffs or sheriffs. The first Mayor was one named Henry Fitz Alwin, a goldsmith, who continued in office, according to Stow, for twenty-four years. London, in this way, became the first municipal corporation in England, and the model upon which twenty-eight medieval towns were subsequently to draft their charters.

Much-maligned John became King in 1199, and during his reign the City was successful in forcing further concessions. The sheriffwick of London and Middlesex was granted to the citizens of London, in return for an annual farm of three hundred pounds. This, however, was but the confirmation of a favour first allowed by Henry I; of more significance was the fact that John ceded to the citizens virtual self-government, with power to elect, and to depose, the sheriffs as they themselves thought fit. Later, in 1208, in addition to choosing the sheriffs, they were granted Letters Patent, permitting them to appoint their own Mayor, and to change him, if they wished, every year.

Moving forward into the reign of Henry III, we observe another gesture from the throne in Westminster, to the men of commerce in the City. The King, in 1226, was pleased to confirm to London citizens free warren or liberty to hunt a certain circuit outside the walls, and also to grant a new privilege, namely, that they should pass toll-free through all the land.

These, together with other liberties

and franchises, were ratified in 1227; and it was Henry III who sanctioned the use by the citizens, in their corporate capacity, of a common seal. Thirteen years later, in 1240, the democratic trends were working themselves out in action. The aldermen of London were then being chosen and changed yearly.

Following Stow (his work was published in 1598) a little further, we come across items which, clipped and laconic as they are, yet succeed in stimulating the imagination so effectively, that the events described take on the vivid colours of immediate reality. Sometimes the reigning monarch is observed demonstrating his goodwill to the City, as when in 1250 he decreed that the Mayor should be received in the midst of the Barons of the Exchequer. Often the two were at loggerheads, as they were in 1252, when the liberties of the City were seized, because the Mayor had failed to take action in regard to the assize of bread.

Another period of strained relations is manifest in 1255, when the Mayor, various aldermen, and the sheriffs of London were deprived of their offices, and others appointed in their place, and yet another in 1265 when "the chains and posts in London were plucked up, the Mayor and principal citizens committed to ward, and Othon, Constable of the Tower, was made custod of the city."

At intervals, the royal authority is asserted. Edward II, in 1310, commanded that the Mayor and commonalty should build the wall of London from Ludgate to Fleetbridge, and from thence to the river. Edward III, after ascending the throne in 1326, was in accommodating mood, for it was he who agreed that the Mayor should be Justice at Newgate gaol, and that no London citizens should be "constrained," or press-ganged, into the army to fight outside the City gates. Greatest concession of all: never again were the liberties and franchises of the City to be taken into the King's hands.

The same monarch, Edward III, in 1338, was pleased to allow that the sergeants of the Mayor, and the sheriffs, should bear maces of silver and gilt, with the king's arms, from which one may infer relations of unusual concord. And since our subject is "royal associations with the City," we must not overlook an historic occasion, in the

year 1356, when a certain Henry Picard, Mayor and Vintner (again we refer to the *Survey of London*) "feasted the kings of England, of France, Cyprus and Scotland, and other great estates, all in a single day."

Elizabeth I: Merchant Adventurer

There, perhaps, we may safely leave medieval times, and jump the intervening years to the more spacious days of the Tudors when society, as we know it today, may be said to have been born. Henry VIII's reign was marked by the destruction of many ancient buildings in the City, the majority of the demolitions resulting from his relentless war against the Church and the monastic orders. Elizabeth, his daughter by Anne Boleyn, seems to have established, and to have maintained, amicable relations with the citizens of London, as indeed she did, broadly speaking, with the majority of her subjects.

A cloud of suspicion had hung about her in Mary's day, and after the failure of Sir Thomas Wyatt's plot, she had actually been sent to the Tower as a prisoner. Passing through the Traitor's Gate she had declared, with characteristic spirit: "Here lands as true a subject, being prisoner, as ever landed at these stairs." Her early associations with the City were, therefore, of an unpleasant nature. A warrant for Elizabeth's execution actually arrived at the Tower, but the Constable refused to act on it, as it was not signed. News of her sister's death, and of her own accession to the throne reached Elizabeth on November 17, 1558, whilst she was walking in Hatfield Park, and two months later her coronation took place, amid scenes of general rejoicing.

On the night before the coronation she slept in the Queen's apartment of the Tower, where her mother, Anne Boleyn, had spent melancholy days awaiting the block and the executioner's axe. "Some have fallen from being princes of this land," remarked Elizabeth, "to be prisoners in this place. I am raised from being a prisoner in this place to be made prince of this land."

The progress through the City was a triumphal procession, and the young Queen, on January 15, 1559, must have been keenly appreciative of the happy

outcome of her long years of endurance. Henry VIII's portrait hung in Gracechurch Street, together with that of Anne Boleyn, and London, in a hundred other ways, paid its tribute.

Elizabeth comported herself with dignity, riding to Westminster with a smile upon her face and her fingers closed upon a sprig of rosemary, thrown to her by an old woman from the City streets. The Queen's popularity with the Lord Mayor, and with the citizens, was immediate. London had, in short, taken this golden-haired Gloriana to its heart.

Nor were the good relations established on that day ever seriously jeopardised. In 1588, the year in which the great Armada of Spain threatened English liberties, London demonstrated its affection and loyalty in no uncertain way. An army of citizens assembled at Tilbury to repulse the invader should he succeed in landing at the mouth of the strategic river. Elizabeth followed them, and mounted on a white charger, with a truncheon in her hand, made an extraordinarily effective speech, vowing that she herself would be their general:

Though but a weak and feeble woman
I will myself take up arms, resolved, in
the midst of the heat of the battle, to lay
down for my God, and for my kingdom,
and for my people, my honour and my
blood, even in the dust.

The soldiers, under the stimulus of such fine oratory, raised their voices in a great shout. Years later, towards the end of her reign, Mayor and citizens again gave proof of their allegiance by refusing support to the Essex rising.

A great deal more might well be written about Elizabeth I, and her links with the City; and certainly one must not omit to mention that it was she who opened Sir Thomas Gresham's "Bourse" in 1571, proclaiming it the *Royal Exchange*, an honour much appreciated by its famous builder, and by the merchants, who, during Elizabeth's long reign of forty-four years, began their fabulous climb to power and prosperity. The *Royal Exchange*, opened with pageantry and fanfares, was the first of three structures of that name, two of which were subsequently destroyed by fire. The present *Royal Exchange*, one of the best known and least frequented buildings within the square mile, dates back only to 1844, in which year another great English

Queen—Victoria—officiated at its opening.

The temptation to delve further into the Elizabethan Age is great, for in it Englishmen circumnavigated the globe, created a magnificent literature, and began the scientific investigation of natural phenomena and of a mysterious universe. They also created the first joint-stock companies, a point which must certainly not be overlooked.

But two, and only two, further items of interest in this reign can be brought to the reader's attention. Struggling unsuccessfully to stretch the royal finances to do all that was required of them, the Queen made investments in at least two of the old-time chartered companies. To the Levant Company she contributed, or lent, the not inconsiderable sum of £40,000; and to the Company of Merchant Adventurers for Guinea four ships, and £500, with which to undertake a voyage to the West African coast.

Finally, it may be recalled that it was from the hands of Queen Elizabeth I, that the great East India Company received its charter.

The Stuarts

Having been governed by a woman for so long, remarkable as she had been, one assumes it was but a natural reaction that Londoners, and the nation generally, should look forward to the prospect of a male sovereign. Great as had been the respect in which Elizabeth had been held, a hearty welcome was extended by the City to Scots-born James I, who succeeded her. But the initial goodwill accorded to the King seems soon to have evaporated. He was not popular, and lacked, among other things, the regal presence by means of which Elizabeth had bewitched and overawed her "loving subjects." It only needed a request for a loan to be turned down, for James and the City to fall out with one another. The King, much aggrieved, threatened to shake the dust of such an obdurate City from his feet, and to transfer his Court from Westminster to some other place. "Your majesty hath power," the Lord Mayor told him calmly, "to do what you please, and your City of London will obey accordingly; but she humbly desires that when your majesty shall remove your Courts,

you will please to leave the Thames behind."

Had the Mayor of London dared to make such a retort to Elizabeth, one feels safe in predicting she would have dealt with him, as she had once dealt with the turbulent Earl of Essex, by boxing his ears. James was furious with the City, but was impotent to force the loan or to avenge the ironic insult. His successor Charles I, fared even worse than he had done. The City refused him a loan of £100,000 which he demanded; and during the Civil War, which started in 1642, London was on the side of Parliament, a fact which decided the outcome of the hostilities, and sealed the fate of the unhappy king.

The finances which Charles had been unable to obtain, either by pleas or force, were commandeered without much resistance by Cromwell, who, in fact, ruled the country very much in the interests of the rising merchant, or bourgeois, class. English trade and commerce during the days of the Commonwealth expanded considerably, and the City shared in the proceeds of a successful home and foreign policy. But after all, it had a profound, traditional regard for the monarchy, and, after Cromwell's death, it played an important part in bringing Charles II to the throne. His entry into the City, in 1660, was marked by scenes of wild enthusiasm, and those subsequently witnessed at his coronation were such that even Pepys was reduced to speechlessness. "It is," he noted in his diary, "impossible to relate the glories of this day."

But Charles II, too, offended the City, issuing a writ in 1683 which took away the rights of self-government conferred by the ancient charters. Before that, in 1672, he had, by the famous (or infamous) Stop of the Exchequer ruined many of the leading City goldsmiths, who acted as bankers in those days. City and monarch, unable to see eye to eye on the question of finance, were soon again at daggers drawn. Nor did James II, Charles' brother, manage to steer a more politic course. Held in but poor esteem, his action in restoring the ancient liberties of the Londoners came too late to avert the storm which had been gathering. The revolution of 1688 drove him out of the country, and into an exile from which he was never to return.

The Lord Mayor, once more in charge of the metropolis, issued his invitation to William and Mary to occupy the throne left vacant by James's precipitate flight, and, as an earnest of future support raised a considerable loan on their behalf. William's ties with the City were many, and it was during his joint reign with Mary that the Bank of England, one of the greatest of City institutions, came to be founded.

A Lord Mayor's Banquet

There are momentous happenings, involving London and the monarchy in the eighteenth century, which might be drawn upon to point the climax of the narrative, but it seems more agreeable in every way to conclude on a convivial, rather than a dramatic, note.

Refusing, therefore, to drag into the light of day such affairs as the relationship of George I to the South Sea Company, which crashed so disastrously in 1720, we pass on to the accession of George III some forty years later.

The age was a rumbustious, full-blooded one. Its *bon-viveur* noblemen were, as we know, accustomed to drink their one, two or even three bottles of wine after dinner. City workers of the poorer sort might, if so inclined, become mildly intoxicated for one penny, or dead drunk for twopence, on beer or gin. This hearty gusto in the consumption of liquor was paralleled by the gargantuan appetites it brought to the table, and, if this statement should be in any doubt, let historic Guildhall supply the proofs.

Here are some interesting details of the Lord Mayor's banquet attended by King George III and Queen Charlotte shortly after their coronation. Hospitality was on the most impressive scale, and the banquet comprised (the number must surely be a record) some four hundred and fourteen dishes.

"There was a first service," we learn, "of seven dishes consisting of venison, turtles, soups, fish of every sort, viz., dories, mullets, turbot, tench, soles, etc., a second service of seven dishes of ortolans, teal, quails, ruffs, snipes, partridges, pheasants, etc., a third service, nine dishes, of vegetables and made dishes, green peas, artichokes, ducks, tongues, fat livers,

etc., and a fourth service, nine dishes, of curious ornaments in cakes, both savoury and sweet, jellies and blommages, in a variety of shapes and colours."

This superlative assortment of foods, hot and cold, was followed by desert, and that liquid refreshment was not wanting, that it was in fact on a com-

parable scale, is something that hardly needs stating. Gastronomically it was an occasion, an heroic occasion, the like of which may never be seen again. Certainly the Lord Mayor's banquet which Queen Elizabeth II, in conformity with custom, will attend shortly after her coronation, is unlikely to offer either such substance or variety,

though there will, one hopes, be a few good things to follow the turtle soup.

And now, after traversing a thousand years or more of City history, we must leave it to the reader to fill in some of the inevitable gaps and omissions, as well as to forge the link between the vivid saga of things past and the events of the present day.

The President's Speech

At the annual general meeting of the Society of Incorporated Accountants, held at Incorporated Accountants' Hall on May 19, the following speech was delivered by the President, Mr. C. Percy Barrowcliff, F.S.A.A. The proceedings at the meeting are reported on pages 198-204 of this issue.

Introduction

THE PAST FIFTEEN MONTHS HAVE BEEN EVENTFUL IN THE history of our nation. At our meeting last year we mourned the sudden and tragic death of a greatly loved and respected Sovereign and we meet today on the eve of the Coronation of his daughter, Her Majesty Queen Elizabeth, which I, as your representative, am to have the privilege of attending in Westminster Abbey on June 2. It is fitting that we should this afternoon respectfully pledge our devoted loyalty to Her Majesty and it is our earnest prayer that she may long be spared to reign in peace and happiness.

The spontaneous rejoicing of the peoples of the British Commonwealth at this time is only tempered by the grief occasioned by the lamented death of Her Majesty Queen Mary, whose steadfastness, dignity and unselfish devotion to duty commanded universal respect and affection.

The report of the Council for 1952 which I present for your consideration reflects another year of considerable activity. With your permission I do not propose to refer to all the information given in the report but shall, of course, be glad to deal with any questions which members desire to raise before I put the resolution for the adoption of the report to the meeting.

Canadian and American Visit

Last September I was privileged to visit Canada and the United States of America as President of the Society, and I desire to express again appreciation of the warm welcome and generous hospitality afforded to my wife and me by the Canadian Institute of Chartered Accountants and the American Institute of Accountants. By their kindness and friendliness they assured to us treasured and unforgettable memories of our visit. In addition to which, the

personal contacts and the discussions on matters of mutual professional interest were most valuable. I found everywhere a high regard for British accountancy standards of conduct and qualification and of techniques and practice. They were fully conscious of our high professional status in this country and of the recognition we had been afforded by the more ancient professions. They were most anxious to have closer contact with the profession here, as they felt this would be mutually profitable. I am sure this informal exchange of views would be invaluable in the field of professional standards, auditing technique, forms of account, management and administration, concept of profit and general accounting research.

I do not think it is putting it too high to say that British accountancy is considered pre-eminent in the world and I suggest that we do not fully appreciate that fact or its importance. It certainly involves the profession here with a greater responsibility than I think its members always fully realise. To maintain that leadership requires alertness of mind to changing conditions, adaptation of functions and techniques to meet the progressive character of the profession itself and a clear determination to maintain a sense of consistency and stability allied to integrity and independence.

The accountancy horizon has never been static. New spheres of service have been unfolding themselves steadily since the earliest days of the simple book-keeper, and the development still continues to challenge our intellect and our capacity to meet the ever-increasing responsibilities.

Regulation of the Accountancy Profession

Despite the vital place the profession now occupies in the life and economy of the country, it is still possible for anyone

without training or the qualification of one of the recognised bodies to hold himself out as an accountant and to presume to carry out certain work of a highly skilled character for members of the public. In addition to the obvious limitations of such persons to accept responsibilities of this kind, resulting most often in unsatisfactory service and unfortunate results, there is no disciplinary action available in such cases for unprofessional conduct in dealing with clients' affairs as there is in the case of the members of the recognised bodies of accountants. The public are entitled to protection from these inexperienced and unqualified persons posing as accountants. I hope the day is not far distant when it will be more generally realised that it is a matter of public concern that the accountancy profession should be registered.

I would also submit that the time has come when the profession should speak with one voice on matters of public and accountancy concern. I would emphasise that our American and Canadian professional friends have achieved co-ordination which I am satisfied has immensely strengthened the accountancy profession in those countries. I appreciate our problem is somewhat different, but it still should not be considered insoluble.

Unfortunately the various attempts hitherto made to prescribe a statutory system of registration for accountants have failed. Yet during the century Parliament has passed legislation to regulate other professions and I cannot believe that the problems involved were any less complex than those which confront us.

The recommendation to extend the provisions of Section 161 of the Companies Act, 1948, to exempt private companies would, if adopted, be valuable progress but it would not provide the final solution.

I do, however, assure you that the complete regulation of the profession remains the ultimate objective of the Council. This objective has been the traditional policy of the Society and it has been fostered and developed throughout the years by successive leaders. The Council will therefore spare no efforts in playing its part to try and resolve present difficulties and secure the settlement which we all so much desire.

The Accountant as a Specialist

The accountancy profession is essentially a factual profession, yet in the public practice field there has evolved over the years a very close and practical association in the affairs of business. This has brought to the profession increasing knowledge of business—its background—its problems—its development—its moods—its needs. That knowledge and experience has been passing into the equipment and qualification of our members for some years now.

Whilst auditing remains one of our fundamental functions, we are now concerned in advising on management problems of planning, organisation, costing, management and departmental accounts and statistics, scope of operations, extensions and profit-sharing schemes. At another level we are consulted on such matters as appropriate capital requirements, economic use of capital, the raising of necessary capital, dividend policy, appropriations to reserve and the like.

I submit there is ample evidence that a true understanding and appreciation of the problems of industry and the business community are deeply impressed in our members' qualification and that no further qualification of any kind is required to fit them for responsible positions in industry, other than a reasonable period of actual business experience. Their technical and practical training in qualifying as Incorporated Accountants is the proper foundation upon which to build an accountancy career in industry. Any other way of seeking this end must result in a lowering of the high standards created by members of the recognised accountancy bodies in the industrial accountancy field. I therefore deprecate the use by our members of any other letters or description which might suggest that management accounting is not part of the fundamental qualifications of an Incorporated Accountant.

National Expenditure

I cannot let this opportunity pass without once again expressing concern at the mounting scale of Government expenditure, involving as it does a rate of taxation which can only have the most harmful effects. There is little evidence of appropriate action being taken to bring this expenditure under some sort of effective control and supervision. For the current year we are facing an estimated expenditure of over £4,200 million, which shows no decrease on the previous year. I would also emphasise that even this amount does not include the substantial expenditure forced upon local authorities by parliamentary or governmental direction, which is the main cause of the alarming rate increases all over the country.

All this weight of expenditure has to be met out of our productive resources, and I suggest it is true to say that it now far exceeds what can be successfully borne by those resources. We need savings for replacements and capital formation especially to provide funds for the modernisation and extension of our industrial equipment. Our future depends upon our capacity to retain and extend our hold on world markets and this cannot be done unless our industrial machine is kept at the highest state of efficiency. For this purpose capital formation is essential, and a national economy failing to recognise that fact must inevitably bring trouble in its train sooner or later. Employment and the social services are determined by the use we make of our productive resources and both labour and capital are the vital elements in those resources. Therefore it is of the highest importance that the Government's demands for taxation to meet their own expenditure should be conditioned by the absolute necessity of leaving adequate funds for capital formation. At present we are in the dangerous position of not forming adequate capital funds because of the high rate of Government spending for current purposes. There appears to be urgent need in present conditions for substantial economy in Government expenditure.

It is my view that some independent authority or committee needs to be set up without delay to inquire into all Government administration costs and expenses, with a view to cutting out all waste, extravagance and unnecessary organisation. Even expenditure on defence, social services

and the like needs to be subject to some more stringent supervision and control. The magnitude of the burden makes it more necessary than ever that those charged with the care of our national purse should make quite sure that the taxation receipts are spent as economically and efficiently as possible.

Replacement Costs

I reaffirm my belief in the principle of arriving at a true and fair view of profit by basing depreciation on the replacement value of fixed assets instead of the original cost and by dealing with stock-in-trade on a replacement cost basis in cases where business continuity is a fundamental objective.

I welcome the increasing adoption by industrialists of the foregoing basis in the presentation of their accounts and I appreciate their desire to show a more accurate statement of the real profits. I consider it a little unfortunate that special attention has always to be drawn to this method implying some reservation about the correctness of the profits so ascertained, whereas no reservations are made indicating the limitations of accounts prepared on the old conventional basis of original cost.

I am of the opinion that a clear disclosure should be made in the profit and loss account in both cases.

As consultations are still proceeding between the recognised accountancy bodies in an effort to arrive at a solution

of this problem, I will not say anything further today, but I hope a satisfactory agreed pronouncement may not be too long delayed.

District Societies

I welcome this opportunity of expressing the warm thanks of the Council to Presidents, Honorary Secretaries and Officers of District Society Committees for their efforts to promote the interests of the Society in their respective areas. The work of District Societies in the field of the professional education of students is of great value but it will, I think, be generally agreed that a new impetus and purpose is required as regards activities arranged for members. I hope that at tomorrow's conference we shall fully explore this very important question.

Conclusion

Once again I extend my warmest thanks to the Vice-President, Mr. Bertram Nelson, and to my other colleagues on the Council for their sustaining help and support during the past year.

I am also deeply conscious of the loyalty and devoted work of all members of the staff and I would pay an especial tribute to them for their outstanding and self-sacrificing efforts made on behalf of the Society in connection with the International Congress held last year. I desire to place on record our deep gratitude for their exceptional services on that occasion.

Shares of No Par Value

IN OUR JANUARY 1953 ISSUE (PAGE 5), WE reported the appointment by the Government of a committee under the chairmanship of Mr. Montague L. Gedge, Q.C., with the following terms of reference:

To consider whether it is desirable to amend the Companies Act, 1948, so as to permit the issue of shares of no par value; and, if so, to consider and report what amendments in the Act should be made for this purpose, having due regard to the need for safeguards for investors and for the public interest.

In our last issue (pages 141-44) we reproduced the memorandum sent to the Committee by the Society of Incorporated Accountants. The purpose of the present article is to comment on some of the points arising in that and certain other memoranda* which have been submitted to the Gedge Committee. The limitation of space prevents us from summarising all matters covered in the memoranda. In particular, the safeguards required in connection with the use of no-par value shares are not dealt with here. These are, we think, fully stated in the Society's memorandum.

Memoranda Compared

Official accounting opinion is not unanimous on the desirability of introducing shares of no par value in this country. On the one hand, the Chartered Accountants in England and Wales consider that such shares should be introduced only if there is evidence of a substantial demand for them, and they are not aware of such a demand; and "the Society has no strong views on the desirability of permitting the no par value system." On the other hand, both the Scottish Institute and the Association consider it desirable to permit the issue of shares of no par value. The representatives of industry join in recommending the system. The Council of the Stock Exchange says that it is not aware of any widespread desire in the business community for the no par value share but sees no reason, subject to any legal or accountancy obstacles, why they should not be permitted.

While the memoranda of the four accountancy bodies and of the industrial spokesmen express the opinion that the

share of no par value should be limited to Ordinary shares, Professors Baxter and Gower suggest the extension of the system to Preferred shares as well. Preferred shares of no par value are, in fact, issued in other countries. There seems to be no reason, in strict logic, why their issue should not be permitted in this country. Such shares would of course carry fixed income rights (and capital rights in the event of liquidation) and, in the case of redeemable Preference shares, the redemption price would have to be specified. Nevertheless, at this stage, it might be wise to restrict the no par value system to Ordinary shares until some experience of its operation has been gained. The Association would go further and limit it, until more experience is obtained, to the Ordinary shares of public companies, because their operations are more easily controlled than those of private companies.

Advantages and Disadvantages

The theoretical case for eliminating the par value of shares is stated fully in two memoranda (A.C.C.A. and L.S.E.). Briefly, the rights, both to income and to capital, carried by Ordinary shares, are residuals. Their value is thus wholly dependent upon the fortunes of the company and the real value of currency. To attempt to attach a constant value label to such shares is therefore nonsensical. A similar but less

* Memoranda submitted by or on behalf of: The Council of the Institute of Chartered Accountants in England and Wales (I.C.A.); The Council of the Society of Incorporated Accountants and Auditors (S.A.A.); The Council of the Institute of Chartered Accountants in Scotland; The Council of the Association

of Certified and Corporate Accountants (A.C.C.A.); Professor W. T. Baxter and Professor L. C. B. Gower, both of the London School of Economics and Political Science (L.S.E.); Association of British Chambers of Commerce, Federation of British Industries and National Union of Manufacturers; Council of the Stock Exchange.

potent argument can be applied to other shares.

From a practical point of view, also, such a label may be misleading. Professors Baxter and Gower report that quite intelligent and advanced students have trouble in understanding the par value concept. There is also evidence that some company reconstruction schemes, which have been unwarrantably in favour of the equity-holder, can only have received the sanction of company members and the Court because of a misunderstanding resulting from the par value attached to the Ordinary shares.

The introduction of no par value shares would eliminate share premium (and discount) accounts:

On the left-hand side (of the balance sheet), the company's total capital resources, whether subscribed or earned, would appear in the capital stock account, which would consist of two parts:

- (a) the capital account, being the total consideration received for shares issued, and
- (b) the capital reserve, being all other moneys assigned for capital purposes. (A.C.C.A.).

The disadvantages of introducing no par value shares are fully dealt with in the Society's memorandum. They are such that either adequate safeguards can be

enacted to prevent abuse, or they are equally applicable to shares having a nominal value or are transitional difficulties only.

Experience in Other Countries

Two memoranda (I.C.A. and S.A.A.) contain evidence of experience in the U.S.A. and one (I.C.A.) is supported by a note from a Canadian resident. In Canada, it appears, issues of no par value shares (approximately 50 per cent. of all common share issues in 1951 and 1952) are not decreasing. In the U.S.A. however:

the trend toward the use (by larger industrial corporations) of no-par stock was definitely reversed in more recent years. (I.C.A.).

Two factors may account for this. First, Federal and some State transfer taxes discriminate against no-par stock. Secondly, inadequate safeguards have led to abuses and unpopularity.

Shares Issued Otherwise Than For Cash

It is interesting to observe that the memoranda submitted from the U.S.A. and Canada, referred to in the previous paragraph, all make a comment to the following effect:

there is probably less incentive to over-value

property so as to justify the issue of a given number of shares in exchange. (I.C.A.)

It is difficult to see why this should be so, and a majority of the memoranda refer to this matter as a difficulty for which special safeguards would have to be introduced regarding the valuation of the assets concerned.

Consolidation and Division

It can hardly be said that one of the advantages of the introduction of shares of no par value is that they may be easily consolidated or divided: such a power already exists under the Companies Act, 1948, and the occasion for such an operation should not normally arise with great frequency. Professors Baxter and Gower, in their memorandum, liken the splitting of shares under the no par value system to the issue of bonus shares under the present system. They therefore recommend that, when shares are sub-divided, a suitable proportion of profits, otherwise available for dividend, should be capitalised and capital duty paid thereon. We doubt the wisdom of this: share-splitting is to be encouraged, not discouraged. Small savings are likely to be stimulated by a move towards smaller market values of share units and a stimulation of small savings is direly needed.

Hospital Costing Returns

The Department of Health for Scotland has published the *Hospital Costing Returns for Scottish Hospitals* for the year ended March 31, 1952. The document seeks to present an analysis of costs by individual hospitals and is "intended to facilitate comparison of unit costs between hospitals which are broadly of the same type."

The uniform cost return for hospitals in use in Scotland differs from its counterpart in England. In Scotland, the final cost is a "composite bed rate" built up from a classification of expenditure into three groups:

- (i) expenditure regarded as governed wholly by in-patient occupancy rate and analysed accordingly;
 - (ii) expenditure governed partly by the effective bed complement and partly by the occupancy rate and analysed by both factors;
 - (iii) expenditure of the overhead type analysed by the effective bed complement.
- In England the cost per occupied bed is in effect little more than a straight division of total cost by the in-patient factor, adjusted somewhat arbitrarily for out-patient attendances and a so-called "vacant bed factor."

Study of the summarised returns now published does not suggest that the Scottish refinement has any advantage over its cruder English relation for the Scottish analysis does not allow any real conclusions to be drawn without a knowledge of the particular hospitals concerned. It is true that the comparisons in the returns are analysed over twelve types of hospital but these categories are still too broad for the analysis to be useful to anyone not in possession of additional data concerning the individual hospitals.

It is only fair to add, however, that but modest claims are made for the summarised returns. They are "intended to provide a jumping-off point for cost investigation into the 1951-52 expenditure by the audit staffs of the Department and the Regional Hospital Boards. It is hoped that they will also be of use to Boards of Management in administering the hospitals under their control."

It is flattering to the profession of accountancy that the subject of hospital costing has proved so popular in the past few years. This has mainly

been due to the large expenditure upon the State hospital service. While welcoming the wider interest in a subject not technically simple, one must see the danger of a too facile approach to the question of costing. Reflection on the present returns shows how difficult it is to attempt to give "nut-shell" answers about the varying cost of hospitals. If, as has been so frequently stated, the simplified costing returns summarised in this document in 58 pages (and in the English form for the same period in 123 pages) are on technical grounds virtually useless for immediate administrative use, the question then poses itself, what size of document would be required to give national figures for the complex functional and unit costing systems which are now being widely canvassed for hospitals? It is important that accountants should not exaggerate the advantages of certain intricate techniques nor should they over-simplify the problems of costing and their application for administrative purposes. This is especially true of the hospital service, where the costs to be analysed are complex but where, as matters stand, the reason for the wider variations between hospitals do not call for extensive analysis.

The Finance Bill

WELCOME INDEED IS THE FACT THAT THIS IS THE SHORTEST Finance Bill in years! To make our survey adequate, it is advisable to repeat the details already mentioned in the Budget survey last month, as well as to explain the Clauses giving effect to the Budget resolutions, which were only indicative of the matters to be the subject of legislation.

Income Tax

Rates, 1953-54. Standard rate, 9s. in the £1; reduced rates—first £100, 2s. 6d.; next £150, 5s.; next £150, 7s. Sur-tax to remain unchanged for 1952-53 and 1953-54.

Reliefs. Old-age relief is to apply to total incomes up to £600, with marginal relief where the total income exceeds £600. Relief for a housekeeper or a person looking after children goes up to £60. Dependent relative relief also goes up to £60, but if the relative's income is between £85 and £145 the relief is reduced so that the income plus the relief equals £145.

Losses. For 1953-54 onwards, relief for a loss under Section 341, Income Tax Act, 1952, can be claimed in the year of assessment following the loss, in so far as relief has not already been had in the year the loss was incurred or in some other way.

Any claim in respect of the previous year's loss has precedence over a claim for a loss sustained in the year of assessment.

A claim under Section 341 must be made on the basis that the loss reduces first the income of the "corresponding class," then the other income.

The claimant may require that the loss is set only against his or her income, not against that of the spouse. If that treatment is not claimed, however, any excess of the loss over the claimant's income must be set first against the spouse's income of the corresponding class, then against the spouse's other income.

"Corresponding class" means that a loss of earned income is set first against earned income, and a loss of unearned income (e.g. share of a sleeping partner) first against unearned income. It is a blessing to have this knotty point settled at last!

For the first time, a claim under Section 341 can be taken into the Courts on a point of law.

The new rules apply also to woodlands assessed under Schedule D.

Initial Allowances

In respect of expenditure on or after April 15, 1953, initial allowances can be claimed as follows:

- Industrial buildings at 10 per cent.
- Machinery and plant at 20 per cent.
- Mines, oil wells, etc. at 40 per cent.

Expenditure incurred before that date cannot be treated by virtue of the new provision as incurred on that date. The new clause does not apply to expenditure on the

delivery of a ship which already attracts initial allowance because of a contract made or construction having been started before April 10, 1951, but, subject to that, if there is a contract for the sale of a ship and either the price becomes payable before April 15, 1953, but the ship is delivered in performance of the contract on or after that date, or the price is payable in instalments, some before and some on or after that date, so much of the price as is payable before that date is to be regarded as payable on it.

For 1953-54 onwards there are to be included in "industrial buildings" any building or structure for the purposes of a trade which consists in the catching or taking of fish or shellfish, and land outside the United Kingdom used for husbandry or forestry.

The above does not affect Excess Profits Levy.

Repairs

(a) Capital expenditure incurred on repairs to any part of a building or structure is to be regarded as expenditure on the construction of the building, etc. This will include any repairs not allowable as a deduction in computing business profits.

(b) Where a repayment is made on a maintenance claim under Schedule A wholly or partly in respect of capital expenditure on repairs to a building or structure, the expenditure on which tax is so repaid is not to be regarded as coming within (a) above. This is to prevent double allowance, e.g. on the replacement of a farm cottage or building.

The clause is retrospective and deemed always to have had effect, but (b) is not to apply to any assessment which has become final and conclusive before April 15, 1953.

Partnership Changes (Cases I and II, Schedule D)

(1) On a change in the persons carrying on business in partnership, the business is in all cases to be assessed as discontinued and re-commenced, subject to (4) below.

(2) On a change in the basis of profit-sharing in a partnership, any of the partners may elect that the assessments on the business shall be made as if it had been discontinued and re-commenced at the date of the change. Any such notice must be signed by the partner electing and sent to the others, and (together with a declaration that notice has been sent to the others) also to the Inspector of Taxes, within six months of the change. No initial allowance will be available to the successors, but otherwise capital allowances will be calculated as if sales of assets had taken place at market value.

We regret that owing to pressure upon space in this issue we are compelled to hold over until the July issue the concluding part of the article, *Taxing the Foreigner*, by Mr. E. E. Spicer, the first part of which appeared in our May issue (pages 146-149), and *Recent Tax Cases*, by Mr. W. B. Cowcher.

(3) If under (1) or (2) above, a change is treated as a discontinuance, any person who was a partner both before and after the change may claim:

- (a) that any loss which he could have brought forward under Section 341, as amended by the Bill, or under Section 342 or Section 343, shall be available against his share of the assessments after the change,
- (b) for the purpose of Section 342 (but not Section 343), any capital allowances to which effect has not been given before the change owing to there being insufficient profits, may be carried forward against his share of subsequent assessments.
- (4) On such a change as is mentioned in (1) or (2) above, where there is at least one common partner to both the old and the new partnerships, all those who were partners in the old and all those who are partners in the new, may join in giving written notice to the Inspector of Taxes within twelve months of the change that the assessments are to be made as if there had not been discontinuance. In that event, tax will be assessed and charged separately on those engaged in the business before the change and on those engaged in it afterwards; the amount of assessment of the year of change is to be apportioned as may be just. And if there is a discontinuance of the business in the following year of assessment (including a change treated as a discontinuance) the assessments for the ultimate and penultimate years are to apply to persons before the first change as if no change had taken place (this closes for the future the loophole opened by *Osler v. Hall & Co.*—but see below).

Any election or notice in respect of a deceased person may be given by his personal representatives.

Only changes in or after 1953-54 are affected. On a "double change," therefore, the *Osler v. Hall* loophole would seem to remain open if the first change were before 1953-54.

Payments between Associated Companies in Respect of Losses

The Bill brings into the picture a new creation—a "subvention payment"—which is a payment under an agreement providing for the paying company to bear a share in losses or a particular loss of the payee company, and is not a payment otherwise to be taken into account in computing profits or losses of either company or on which (apart from the new clause and from any relief from tax) the payee company would be liable to bear tax by deduction or otherwise. A payment in respect of any accounting period of the payee company can only be a subvention payment if made in or before the year of assessment following that in which the period ends.

If the payee company has a deficit for tax purposes during an accounting period and receives a subvention payment in respect of that period from an associated company having a surplus in the corresponding period, the payment will be regarded as a trading receipt and payment respectively. (Companies are associated when one is a subsidiary (under the profits tax definition) of the other, or both are subsidiaries of the same principal company.)

The excess of subvention payments received from one or more companies over the payee company's deficit will be disregarded. Likewise any excess of subvention payments

over its surplus made by a paying company to associated companies will be ignored. Where more than one company is concerned the payments will be abated as agreed by the companies or if not agreed, then by the Commissioners of Inland Revenue.

A subvention payment covering more than one accounting period is to be apportioned as the Commissioners of Inland Revenue think just.

In determining what is the surplus or deficit, to the profits adjusted as for Case I or Case II are to be added all other income for the year of assessment in which the accounting period ends, and from the total are to be deducted:

- (a) any loss for the period,
- (b) any capital allowances for the year of assessment other than any already given as deductions in computing the profits or losses, and
- (c) annual payments within Section 169 and 170 (except copyright royalties, capital sums paid in respect of patent rights and other special items) unless deductible in computing the profits or losses.

If the period is longer or shorter than a year, any "other" income, capital allowance or annual payment will be proportionately increased or reduced.

If accounting periods of paying and payee companies do not coincide, the Commissioners of Inland Revenue are to determine their correspondence. Where a subvention payment affects a loss in respect of which relief has been given under Section 341, any excess tax repaid can be assessed under Case VI.

The relief for subvention payments extends to investment companies as well as trading ones.

In the case of subvention payments included in 1953-54 or subsequent computations the Clause will apply to a past year of assessment of the paying company, and in either company for profits tax to a past chargeable accounting period.

The clause on subvention payments does not affect the Excess Profits Levy.

Unremittable Overseas Profits

For the purposes of income tax, profits tax and Excess Profits Levy, a person may claim relief in respect of unremittable overseas income by reference to which he is chargeable to income tax for any year of assessment not earlier than 1952-53 (but not so as to affect tax chargeable for any earlier year). For profits tax and Excess Profits Levy relief is given for profits arising in any chargeable accounting period in or before which any such income arises.

Overseas income is unremittable if:

- (a) its transfer to the United Kingdom is prevented by the laws of the territory in which it arises or by any executive action of its Government or by the impossibility of obtaining foreign currency in that territory, and
- (b) currency of that territory which is so prevented from being transferred has no generally recognised market value in the United Kingdom.

Such income is to be omitted from assessment until the Commissioners of Inland Revenue cease to be satisfied that the income is unremittable, when such assessments, repayments, etc., must be made as are necessary to take account of the income and any local taxes on it.

Copyright Royalties, etc.

Any receipt by an author for royalties or periodical sums receivable not later than the expiration of two years after first publication of a work can be spread as if it were a sale for a lump sum within Section 471, Income Tax Act, 1952, i.e. can be spread back over the period of preparation of the work, not exceeding three years. The claim must be made not later than April 5 following the expiration of three years after the first publication of the work. The Clause is to apply to payments falling to be included in profits for 1953-54 or later.

Compulsory Slaughter of Animals

Where the whole or substantially the whole of a farmer's production herd is compulsorily slaughtered for disease and compensation is payable for it, an election for the herd basis may be made not later than twelve months after the end of the first year of assessment for which the assessment is based on a period in which the compensation is relevant, i.e. is a trading receipt. The election will have effect only for the year of assessment in question and subsequent years. Profits tax and Excess Profits Levy will be affected for the corresponding chargeable accounting periods. For Section 341 claims, however, the relief will have effect for the period of compensation.

Sums Applied Outside the United Kingdom in Repaying Loans in It.

Where income is assessable under Cases IV and V on the remittances basis, any such income as is applied outside the United Kingdom by a person ordinarily resident in it, in or towards satisfaction of a loan in it or money lent outside the United Kingdom and brought to it, is to be regarded as a remittance. The clause does not apply to income applied towards a debt for money lent before April 15, 1953, or of a debt incurred for satisfying in whole or in part any such debt, unless so applied after the end of 1953-54. A "tidying up" period is an unusual event! The *Hall v. Marians* loophole is firmly closed!

Double Taxation Relief

Capital allowances may be postponed where:

- (a) the foreign laws provide for capital allowances, but on a different basis so that they reduce the income (if at all) to a smaller extent than the allowances in question, but are calculated to operate later to a greater extent, and
- (b) the relief to be given by way of credit in respect of the income in question is less than it would be if the allowances in question operated to reduce the income to the same extent only as the foreign allowances.

The relief is in general to be such as to permit the same deduction for the capital allowances as for the foreign allowances.

Unilateral Relief

For 1953-54 onwards for income tax, and in such part of chargeable accounting periods as falls after March 31, 1953, for profits tax and Excess Profits Levy, unilateral relief will in all cases be at the "foreign" rate of tax or the full effective United Kingdom rate, whichever is the lower. The limits of 75 per cent. (Commonwealth territories) and

50 per cent. (other territories) of the United Kingdom effective rate are abolished.

Excess Profits Levy

The termination of Excess Profits Levy at December 31, 1953, involves these new provisions only:

- (a) special accounts may be prepared for any broken periods which fall in the period of charge, so as to avoid "time" apportionment of ordinary accounts;
- (b) the "spreading" provisions are not to apply to any deductions for expenditure incurred after December 31, 1954.

Following promises made last year, the Chancellor has had inserted Clauses to provide that:

- (a) the relief given to investment companies will apply to a group where substantially the whole of the functions of a single body corporate, which combined all the functions of the members of the group, would consist in the holding of investments, and
- (b) the allowance for additional output of certain minerals applies to any mineral and the mining of it from a natural deposit of a wasting nature.

Iron and Steel Companies

A distribution made by an iron and steel company owned by the Realisation Agency and certified by the Treasury as made for facilitating the return to private ownership, provided the company in question so elects, is not to be regarded for profits tax as a gross relevant distribution of the paying company, or as income in computing net relevant distributions of the receiving company. For Excess Profits Levy such a payment is to be regarded as a repayment of share capital on the one hand and a receipt for share capital on the other.

Any redeemable Preference shares issued as a capitalisation of profits, if so certified, are not to be regarded as a distribution when redemption takes place.

Scilly Isles

For 1954-55 onwards (for profits tax as from April 1, 1954) the Scilly Isles fall entirely into the United Kingdom scheme of taxation. Computations are to be made as if in previous years all allowances and reliefs had been given with the exception of initial allowances, which are to be disregarded prior to 1954-55.

Excess Profits Tax

Post-war refunds of Excess Profits Tax are freed from all undertakings and authorities.

If a refund would fall to be made to a principal company of a group which has ceased to exist, any part of the refund representing Excess Profits Tax paid by another member of the group is to be payable to that member. The time limit for charging income tax on refunds becomes three years after the end of the year in which the repayment is made.

No recovery of refunds can be made by reason of discontinuance of the business before the commencement of the Finance Act, 1953, if there has always existed a business in relation to which the refund could have been made over, there has been no refusal to give undertakings and authorities and the advisory panel have not reported that the refund is repayable to the Crown.

Taxation Notes

Age Relief

WHERE ALL THE INCOME IS UNEARNED, the limits for age relief will now be £862 for a married man and £913 for a single person, thus :

MARRIED				No age relief £	Age relief £
Income	..	..	..	862	862
Margin	..	..	..		262
					600
Age relief Personal	..	..	..	210	134
					210
					344
				£652	£256
£100 @ 2/6 = 12 10 0				£100 @ 2/6 = 12 10 0	
£150 @ 5/- = 37 10 0				£150 @ 5/- = 37 10 0	
£150 @ 7/- = 52 10 0				£6 @ 7/- = 2 2 0	
£252 @ 9/- = 113 8 0				£262 = 163 15 0	
				£215 18 0	£215 17 0

SINGLE				No age relief £	Age relief £
Income	..	..	..	913	913
Margin	..	..	..		313
					600
Age Relief Personal	..	..	..	120	134
					120
					254
				£793	£346
£100 @ 2/6 = 12 10 0				£100 @ 2/6 = 12 10 0	
£150 @ 5/- = 37 10 0				£150 @ 5/- = 37 10 0	
£150 @ 7/- = 52 10 0				£96 @ 7/- = 33 12 0	
£393 @ 9/- = 176 17 0				£1313 = 195 12 6	
				£279 7 0	£279 4 6

Any earned income will reduce the limits and each case must be worked out to see if age relief applies.

Excess Profits Levy

Now that the life of this ill-designed tax is determined, and the Chancellor has announced that no amendments, with slight exceptions, are to be made, it is to be hoped that the Board of Inland Revenue will make extra-statutory concessions to meet the most glaring inequities. An example is that of a company whose standard is based on 1947 and 1949 and which acquired a business from an individual in 1948. Had the purchase been from a company, the business would have brought a standard with it, but coming from an individual, it brought no standard. As it happened, the company formed a new subsidiary to acquire the

business. Had it foreseen the future, it would have arranged for the vendor to form the company, sell his business to it, then sell the shares to the holding company. That would have transferred a standard. A concession is called for as it is most unfair that the profits now in the group should not be compared with the same profits in the standard years.

Small Income Relief

The reductions in the rates of income tax have the effect that the maximum total income at which the marginal relief "pays" for 1953-54, where the income is all unearned and the only personal relief is the £120 for a single person, is £321, thus :

	Without relief £	With relief £
Total income	£321	£321
Margin		71
		250
£ths ..		£56
P.A. ..	120	120
		176
	£201	£ 74
£100 @ 2/6 = £12 10 0		
£101 @ 5/- = 25 5 0		
£74 @ 2/6 = £9 5 0		
£ths of £71 = 28 8 0		
	£37 15 0	£37 13 0

For a married man, the comparable maximum is £268, thus :

	Without relief £	With relief £
Total income	£268	£268
Margin		18
		250
£ths ..		£56
P.A. ..	210	210
		266
	£58	
£58 @ 2/6 = £7 5 0		
£ths of £18 = £7 4 0		

Armed Forces—Estate Duty

In reply to a recent question in the House of Commons the Financial Secretary to the Treasury said that during the war all members of the Armed Forces were regarded as being on active service against an enemy, and their estates were therefore given relief from estate duty. This practice has been continued up till the present time. It is now proposed to terminate it and, in the case of deaths of members of the Armed Forces occurring as from April, 1953, from a wound inflicted, accident occurring or disease contracted or aggravated on or after April 1, 1953, the exemption conferred by Section 71 of the Finance Act, 1952, will be given, in accordance with the terms of that Section, only where the death occurred on service of a warlike nature, such as

service in Korea or Malaya in present circumstances, or on service which, in the opinion of the Treasury, involved the same risks as service of a warlike nature. The position of deaths occurring after that date from causes arising before it will remain unaffected.

By Section 71, estate duty is not chargeable by reason of the death on or after March 12, 1952, of a person who is certified by the Admiralty, the Army Council, the Air Council or the Secretary of State to have died from a wound inflicted, accident occurring or disease contracted at any time while the deceased was a member of any of the Armed Forces or the specified women's Services or was subject to the law governing those Services by reason of association with or accompanying any body of those Services, and (in any case) was either on active service against an enemy, or on other service of a warlike nature which in the opinion of the Treasury involved the same risks. Exemption is also given where the deceased died from a disease contracted previously if the death was due to or hastened by aggravation of the disease during a period when the deceased satisfied the above conditions.

Such exemption does not disqualify a surviving spouse from relief on settled property where appropriate.

The 1952 Act replaced the complicated provisions previously in force, which distinguished between officers and other ranks.

Acceptance of Property in Satisfaction of Death Duties

The Finance Bill contains a clause empowering the Commissioners of Inland Revenue to accept in or towards payment of estate duty (or settlement estate duty—a rare survival!) any objects ordinarily kept in any building, if the building :

- is (or any interest in it is) being accepted in satisfaction of duty ; or
 - belongs to the Crown or a Government Department or is held for the purposes of a Government Department ; or
 - is an ancient monument of which the Minister of Works is guardian ; or
 - is (or any interest in it is) vested in the National Trust ;
- and the Treasury consider it desirable

for the objects to remain associated with the building.

Works of art (i.e., property of a national, historic, scientific or artistic interest) exempted from estate duty until sold will not lose their exemption because they are being so accepted in payment of estate duty.

Estate Duty—Valuation Concession

The Board of Inland Revenue wish to draw attention to the following announcement made by the Financial Secretary to the Treasury, on May 14, 1953:

The statutory basis of valuation for estate duty is the price which the property would have fetched in the open market at the date of death. In the case of a house owned and occupied by the deceased at that date this would be the full market value with the benefit of vacant possession.

The effect of the concession announced on May 18, 1944, in the cases to which it applies, is to exclude from that value:

any increase . . . above the pre-war value in so far as it could only be realised by a sale with vacant possession.

The concession does not substitute the pre-war value of property for its value at the date of death. It does not exclude such value as there was in vacant possession pre-war. Nor does it exclude increases of value due to causes other than sale with vacant

possession, e.g. a rise in the value of property due to the change in the value of money generally since before the war. The only element of value to be excluded where the concession applies is that which represents the degree to which vacant possession at the date of death inflated value more than it did pre-war; no other factor which would influence the value is to be disregarded.

There has been no change in the Board of Inland Revenue's interpretation of the concession, which has from the first been interpreted as described above. As to the method of valuation, it would be inappropriate to lay down a formula to be applied in all cases in which the concession is available, since the value of the property with the benefit of the concession is capable of being arrived at in a variety of ways. There is, however, no reason why regard should not be had in appropriate cases to cost of replacement less depreciation as one of the factors in estimating value.

Interest on Tax Reserve Certificates

A correspondent writes as follows:

Holders of tax reserve certificates will be interested in a recent decision in the High Court. A private company, which had held a number of tax reserve certificates, distributed the interest arising from these as a tax free dividend. The company claimed to be entitled to make this distri-

bution without being bound to deduct tax under Rule 20 of the All Schedules Rules on the ground that the distribution was in respect of interest on tax reserve certificates, and such interest not having borne tax in the hands of the company, it was neither bound nor entitled to deduct tax therefrom in making the distribution by way of dividend to the shareholders.

The learned judge, in a reserved judgment in which he declared the point to be one of difficulty, dismissed the shareholder's appeal and held that the distribution was analogous to receiving a discount on a trade debt.

Leading legal and accountancy opinions consider that this judgment should not be allowed to pass unchallenged. It is understood that the particular taxpayer is not likely to feel himself justified in risking further expense in the matter, in view of the comparatively small amount of tax that he has at stake. The point is of considerable importance to very many shareholders in private companies as, had the decision been otherwise, interest on tax reserve certificates could have been distributed without attracting sur-tax.

Any person who is affected by the decision in this case, which is reported on the next page of this issue (see *Philip Hutton v. C.I.R.*), and who would like to communicate with the taxpayer concerned, may do so through the Editor.

Tax Cases—Advance Notes

By H. MAJOR ALLEN

HOUSE OF LORDS

Thomas v. Marshall. April 20, 1953.

Facts.—The facts in this case and the judgment of the Court of Appeal are reported in *ACCOUNTANCY* for October, 1952 (page 343).

Decision.—The House of Lords dismissed the taxpayer's appeal, holding that an absolute and unconditional gift by a father to his infant child in the form of, for example, money paid into a Post Office Savings Bank account was a "settlement" within Section 21, Finance Act, 1936.

Bray v. Colenbrander.

Harvey v. Breyfogle.

Facts.—The point in these cases and the decision of the Court of Appeal were

reported in *ACCOUNTANCY* for December 1952 (page 405).

Decision.—The House of Lords dismissed the Crown's appeal and approved the decision of the Court of Appeal in *Bennett v. Marshall* (22 T.C. 73).

C.I.R. v. Corporation of London.

Facts.—The facts in this case and the decision of the Court of Appeal were reported in *ACCOUNTANCY* for November, 1952 (page 373).

Decision.—The House of Lords dismissed the Crown's appeal and held that the Corporation of London was entitled to deduct income tax from payments made to the

Conservators of Epping Forest under Section 39 of the Epping Forest Act, 1878.

COURT OF APPEAL (Singleton, Hodson and Jenkins, L.JJ.)

Morgan v. Tate & Lyle, Ltd. May 5, 1953.

Facts.—The facts in this case, and the decision of Harman, J., were reported in *ACCOUNTANCY* for March, 1953 (page 90), and were the subject of an article in that issue (page 87).

Decision.—The Court of Appeal (Singleton, L.J., dissenting) dismissed the Crown's appeal.

CHANCERY DIVISION (Upjohn, J.)

Household v. Grimshaw. April 21, 1953.

Facts.—H., a novelist, while serving in the Armed Forces, entered into a contract with Metro Goldwyn Mayer, producers of films, in the following terms. Until H. was released from the Forces he was to receive £10 per week by way of advance on account

of the purchase price of film rights in his novels, to be repaid only if M.G.M. in fact took up an option on those film rights. Upon his release from the Forces, he was to be employed for 12 weeks in each of three successive years to work full time at the direction of M.G.M. either alone or in collaboration with others in writing film scripts, scenarios, etc., but was to be free to carry on his profession during the remaining 40 weeks of the year. M.G.M. were to have an option to purchase at stated prices the film rights of any novel which he might write during the three years above referred to. As consideration, H. was to receive £200 per week during the 12 weeks periods of his employment.

Later, M.G.M.'s production plans having changed, a deed of release was executed, after H. had served only one of the 12 weeks periods of employment, by which (a) the agreement was cancelled in consideration of the payment by M.G.M. to H. of £3,000, and (b) H. granted M.G.M., in return for a payment of 5s., options upon his next three novels. H. claimed that the £3,000 received under the deed of release was either consideration for the abrogation of a service contract, the profits of which were assessable under Schedule E, and accordingly was not liable to tax; or, alternatively, that the cancellation of the contract affected the whole structure of his profession, so that the £3,000 was a capital receipt.

Decision.—Held by Upjohn, J., that the contract of employment was entered into as an engagement in the course of carrying on H.'s profession, and that the £3,000 was taxable as a receipt of that profession.

John Hudson & Co., Ltd. v. Kirkness. April 29, 1953.

Facts.—The company carried on business as coal merchants and in connection with that business owned a number of railway wagons. Under wartime legislation the wagons were leased to the Ministry of Transport, and later became vested under the Transport Act, 1947, in the Transport Commission. The Crown contended that the compulsory acquisition of the wagons by the Commission constituted a sale, rendering the company liable to a balancing charge under Section 17, Income Tax Act, 1945.

Decision.—Held by Upjohn, J., that the transfer of the wagons under the Transport Act did not constitute a sale, and that accordingly no liability to a balancing charge arose.

Philip Hutton v. C.I.R. May 1, 1953.

Facts.—The Hutton Shoe Co. Ltd. purchased tax reserve certificates, which were surrendered from time to time in discharge of the company's income-tax liability. Interest credited on the certificates was also

applied towards the discharge of income tax and the amount of the interest was shown as a separate credit in the company's profit and loss account. The company resolved that the sums concerned should be paid direct to the shareholders (of whom the appellant was one) proportionately to their shareholdings. The Special Commissioners assessed the appellant to sur-tax upon the footing that the sum received from the company was a dividend paid without deduction of tax. The appellant contended that the distribution was of a sum which was not taxable in the hands of the company, that accordingly, upon the authority of *Neumann v. C.I.R.* (18 T.C. 332), the company was not entitled to deduct tax from it, and that it was not subject to income tax or sur-tax in the hands of the recipient.

Decision.—Held by Upjohn, J., that the "interest" upon the tax reserve certificates applied in payment of income tax was analogous to a discount upon a trade debt. As a result, the company was left with a larger general fund to the credit of profit and loss, not with a separate item in its profit fund representing a tax-free receipt. Accordingly, the sur-tax assessment was confirmed.

C.I.R. v. Trustees of the Frank Butler Memorial Fund. May 1, 1953.

Facts.—X executed in favour of trustees of a charitable fund a deed of covenant revocable at any time after seven years from the date of its execution. Shortly before the power of revocation became exercisable, X executed a deed of release of power of revocation for a further period of two years. She was assessed to sur-tax upon the footing that payments made during the period for which the power of revocation had been released were her income, and not that of the trustees, by virtue of Section 38 of the Finance Act, 1938. On appeal the Special Commissioners rejected the assessing Commissioners' view.

Decision.—Held, that the payments for the two years during which the power of revocation was suspended were "caught" by Section 38 and that the decision of the Special Commissioners must be reversed.

C.I.R. v. Custodis (1922) Limited. May 1, 1953.

Facts.—In the case of a director-controlled company the remuneration of directors admissible in computing profits for profits tax purposes is restricted by paragraph 11, Fourth Schedule, Finance Act, 1937, as amended. The remuneration actually paid during the relevant periods by the appellant company was less than the maximum deduction permitted by paragraph 11. The company accordingly claimed, in computing its profits for profits

tax, to deduct that maximum instead of the remuneration actually paid.

Decision.—Held, that the company was not entitled to deduct in respect of directors' remuneration anything in excess of the amounts actually paid or payable for the chargeable accounting periods in question.

Foulds v. Clayton. May 5, 1953.

Facts.—The appellant, previously a farmer, commenced to trade as a builder in 1934. He built houses to order (not as a speculative builder) and continued his farming as a separate business. He also built houses on his own account which he let. His building operations were suspended in 1939 owing to financial difficulties. By March, 1939, he owned 31 houses, some of which he had re-purchased under the terms of a guarantee given to a building society upon their sale.

Between 1943 and 1949 he sold 19 of the 31 houses referred to above. In the same period he bought a block of 32 houses together with four others and some land, and sold the block of 32 houses and two others, together with part of the land.

The General Commissioners on appeal confirmed assessments for the years 1944/45 to 1950/51 inclusive upon profits from property dealing.

Decision.—Held, that there was evidence upon which the Commissioners could have come to the conclusion that the appellant was dealing in property.

Golder v. Ralli Brothers, Ltd. May 7, 1953.

Facts.—Ralli Brothers, Ltd., a company resident in the United Kingdom, sold to Rallis (India) Ltd., a company which it controlled but which was resident in India, certain plant and machinery at a price which was admittedly in excess of its open market value. A balancing charge based upon the open market value of the plant was assessed upon the vendor under the provisions of Section 59 (2) of the Income Tax Act, 1945. The vendor and purchaser companies purported to elect, under the provisions of Section 59 (4), that the sale should be treated as having taken place at the "written-down value." The Revenue claimed that the election under Section 59 (4) could not be exercised where the purchaser company was not within the scope of charge of the Income Tax Acts.

On appeal, the Special Commissioners held that the election was validly exercised and discharged the assessment.

Decision.—Upon the case coming before Upjohn, J., the Crown conceded that there were no grounds upon which they could ask the Court to reverse the decision of the Commissioners, and consented to the appeal being dismissed.

The Month in the City

Too Weak an Injection?

THE STOCK MARKET WAS QUICK TO ASSESS Mr. Butler's second Budget as designed to provide a shot in the arm for industry and it took very little longer to decide that the injection would be too weak to prove any noticeable stimulus. Certainly the dose has failed to increase the volume of business flowing into the stock exchanges but it may be doubted whether anything, other than a reduction in the rate of transfer duty, would have had that effect. Financial and investment circles, and it is believed to a considerable extent industrial circles, seem to be under the influence of renewed talk of a coming depression centred over the United States. But perhaps it would be more objective to site the centre of this depression over the United Kingdom and its cause to the growing conviction that it will be some very considerable period before this country will receive any very substantial addition to its dollar income from either trade or aid. It is true that, with some assistance from the fact that sterling area exports are abnormally high at this season, we continue to add to our gold and dollar reserves, but the addition is not large and our ability to expand exports in other markets is not as yet very great. In fact, we are faced with the need to get costs down and all agree this will not be easy. Also, there is certainly less demand for long-term and medium-term capital than there was, and this is strengthening a campaign for a reduction in Bank Rate to provide a second injection for stimulation, if not of industry, of stock market quotations. It seems far from certain that there will be any formal reduction in the money rate and it is not clear that, if there were, security values would necessarily benefit. Fixed interest prices are still higher than at the end of 1951: it is equities which are lower and they are down by only 4 per cent.

Declining Prices

In fact there are not wanting people, more closely in touch with the international scene, who maintain that the next change in Bank Rate will almost certainly be

upward. They look at the rise in rates in the U.S.A. and reflect that the flight of even the modest amount of foreign balances which have found refuge here would be likely to reduce our gold and dollar reserves. Further, some of them at least still believe that Mr. Butler has both overestimated the beneficial effects on productivity of increased incentives and underestimated the deterrents to the export drive inherent in a re-expansion of home demand. What with one thing and another, it is scarcely surprising that there has been virtually no improvement in fixed interest securities since a week after the Budget, or that industrial Ordinary shares have fallen since then. Further, what is regarded as the unhelpful attitude of the new American administration—derived largely, if not entirely, from their inability to control Congress—has led to an understandable pessimism about the future price of gold. At the same time, the general trend of political developments throughout Africa is scarcely calculated to encourage investment within the Union. The effect of these various factors, as reflected in the indices compiled by the *Financial Times*, shows between April 24 and May 20 the following changes: Government securities, up from 97.41 to 97.52; fixed interest up from 107.84 to 108.30; industrial Ordinary shares down from 119.9 to 113.9 and gold mines down from 95.81 to 87.98.

Municipal Borrowing

When the City of Birmingham decided in January to raise £6 million through the market instead of using the facilities provided by the Public Works Loan Board, there was some question about how far the slightly higher rate of interest was offset by freedom from other conditions attached to the P.W.L.B. procedure. (See on this issue ACCOUNTANCY for December 1952 (page 388.)) The recent rise in the Funds has proceeded to a point at which the rate of interest as well as the other terms clearly favour market borrowing and it is not surprising that two local authorities should have decided to approach the public. On May 7 Liverpool issued £5 million of 4 per cent.

stock redeemable 1969-73 at 96½ and a week later Paisley raised £2 million on the same terms, except that the life was slightly shorter and the option on the date of repayment more restricted, the period being 1968-70. Both these loans met with a good response, large applications for the former being cut to 79 per cent. while a modest premium was established before the Paisley stock came on offer. Applicants for the latter received about 3 per cent. on large amounts, and price has varied one-eighth point either side of par.

No Option Dealing

After months devoted to consideration of the project the Council of the Stock Exchange, London, has decided that permission will not be given for the resumption of dealing in options. No reasons are given for this decision, which has been taken in face of the known desire of a number of members for the restoration of the facility. This particular piece of machinery consists in allowing people to acquire the right to buy, or to sell, or to buy and sell, given amounts of a given stock at fixed dates. It has been useful at times as a hedge for jobbers and has conferred some benefit on a number of profession operators. It would be necessary to go back before 1914 to find a time when it was widely used by the general investing public and then, so it is said, they almost invariably lost money, because it is the nature of speculators to expect things to happen more rapidly than they do. However that may be, it was at times a useful piece of machinery which probably had the effect of widening the market and so narrowing the margin between buying and selling prices, to the benefit of the general body of investors. At the present time there is a widespread feeling against encouraging speculation, which some members of the Council are believed to share. But, more than this, it is still the fact that bankers are directed not to lend money to brokers to finance the speculations of their clients. To speculate with other people's money is of course quite a different matter from speculating with one's own, but it is probable that a market in options of any real importance would carry with it demands for finance. This may explain why the Council has refused to restore a facility which many people hold to be valuable.

New Member for Monopolies Commission

The Board of Trade announce that Sir Arnold Plant, Sir Ernest Cassel Professor of Commerce in the University of London, has been appointed a part-time member of the Monopolies and Restrictive Practices Commission. The appointment is for four years.

Points from Published Accounts

DIVIDENDS—GROSS OR NET?

IN THIS FEATURE OF ACCOUNTANCY WE HAVE sometimes criticised the showing of dividends at their gross amount in published accounts. The number of companies which show their dividends thus is limited; the majority of accountants presumably believe that dividends are better shown net. Yet there has been a vigorous defence of the minority practice, more recently in remonstrances which have reached us following our criticism of *Town Investments Ltd.* (ACCOUNTANCY, March 1953, page 96) for not following the majority.

It seems to us that the average shareholder must by now be accustomed to the average set of what we may call "Cohen accounts," showing dividends net. (Although it is to be doubted if he can read those accounts intelligently; certainly, profits tax is a complication that very few investors can unravel, and many of them would no doubt be shocked to know that roughly two-sevenths of recent retained profits would have to be handed to the tax collector in distributed profits tax before they could be paid out as dividend.)

What is the best way of presenting the profit and loss account? Should it be a three-tiered affair, the first tier carrying matters down from the trading balance to net profits before tax, the second down to net profits after tax, and the third showing the net dividend and reserve appropriations? Or should it be two-tiered, with the second tier showing gross dividends and net reserve appropriations? At least one company tabulates the debits and credits in two continuous strings, and lets the shareholder work out for himself what the three-tiered affair would show.

Our *Town Investments* correspondent contends that there are definite advantages in striking a net profit before tax. It is, in his view, the only true figure of earnings, telling the shareholder what the company has earned without complicating the picture by deductions of various taxes over which it has no control whatever and which vary with the amount of dividends paid. "It has a stable, consistent character from year to year and consequently a practical value for comparison purposes, comparative figures now being compulsory, while for ascertainment of dividend cover, a comparison between profits before tax and gross dividend is, to say the least, as good as any other."

There are two propositions here which

deserve examination. The concept of profits before tax certainly possesses the virtue of comparability over time but so has the concept of trading profits, and the latter is as reliable a measure of a company's progress as the former. But both concepts are subject to factors, besides direct taxation, over which directors have little, if any control. Mention may be made of purchase tax changes, and fluctuations in the prices of raw materials. And what of long-term inflation, the effects of changes in permanent capital, and the incidence of capital outlays?

Is a comparison between profits before tax and gross dividends as good as any other comparison? Professor Joad would probably have said that it all depends on what is meant by "profits before tax." At the old rates of initial allowances relief, profits before tax could be compounded of 75 per cent. "profit" and 25 per cent. tax or the two percentages could be quite different, depending on the nature of the debits before striking the "profits before tax"—some companies, for example, now make transfers to fixed assets replacement reserve before showing profits before or after tax, so that the tax charge looks disproportionately heavy. But leaving aside these considerations, and assuming that the profit before tax is "normal," there is a choice of courses open to a company. First, it may show profit before tax, deduct dividends at the gross amount, and deduct tax less the tax contained in the gross dividends. This would give the following picture (the figures are hypothetical):

Profit before tax	...	...	£	200,000
Preference dividend (gross)	...	40,000		
Ordinary dividend (gross)	...	60,000		
				100,000
				100,000
Profits tax	...	...	25,000	
Income tax (less tax on dividends)	...	...	45,000	
				70,000
Retained profits (net)	...		£30,000	

The second course would be to show profits after tax and deduct dividends at their net amount:

Profit before tax	...	...	£	200,000
Profits tax	...	...	25,000	
Income tax	...	...	90,000	
				115,000
				85,000
Preference dividend (net)	...	22,000		
Ordinary dividend (net)	...	33,000		
				55,000
Retained profits (net)	...		£30,000	

The deficiency of the second method is that the Preference shareholder could conclude that there was £85,000 available for his net dividend whereas in fact the precise amount is £12,000 greater because the distributed profits tax on the Ordinary dividend has already been deducted. If no Ordinary dividend were paid then this liability would not arise. The defect of the first method is that profits tax complications are, as it were, brushed aside. Therefore we must consider a third method. Does the following meet the bill? It is a refinement of the first table, and has the advantage of showing precisely how each class of shareholder stands. The Preference shareholder can see at a glance that there is £195,000 available for his dividend plus the distributed profits tax thereon, and the Ordinary shareholder that there is £147,000 available.

Profits before tax	...	...	£	200,000
Less profits tax	...	...		5,000
				195,000
Preference dividend (gross)	...	40,000		
Distributed profits tax thereon	...	8,000		
				48,000
				147,000
Ordinary dividend (gross)	...	60,000		
Distributed profits tax thereon	...	12,000		
				72,000
				75,000
Income tax (less tax on dividends)	...	...		45,000
				£30,000
Retained profits	...	...

It may not be without significance that this tabulation, or something very similar to it, is the basis on which the cover for Preference dividends is calculated in prospectuses, and on reflection it may be felt that companies are selfish and inconsiderate in showing net figures only in their accounts—selfish because the Ordinary shareholder alone is interested in the relation between his net dividend and net profits retentions, and inconsiderate to the Preference shareholder who is given a misleading picture of his true dividend cover. We now own to a certain doubt about whether it would not be better for all companies to adopt the third method of showing dividend appropriations, and, in particular, those with considerable gearing of the equity capital.

Our *Town Investments* critic, who is responsible for creating this doubt, also considers that the practice of showing dividends net runs contrary to the Companies Act. "The minds of many accountants are still back in the days of the Cohen Report, which suggested an optional showing of dividends gross or net as the company thought fit and they seem not to have realised that the proposals of that report were not adopted in the 1948 Act. Paragraph 12 (1) (h) of the Eighth Schedule requires that there shall be shown 'the aggregate amount of the dividends paid and proposed.'" Our correspondent then goes on to declare that what these words

mean is primarily a question, not of accountancy, but of law, since they form part of an Act of Parliament. Before the passing of the 1948 Act the word "dividend" meant, where a dividend was declared and not stated to be free of tax, the gross amount of the dividend. "The Act has not altered this." Moreover, says our correspondent, the note required by paragraph 14 (4) clearly relates to the distinction between a dividend declared subject to tax and one declared free of tax. There is, he says, no justification for confusing a free of tax dividend with the amount of a dividend after deduction of tax. He has taken legal opinion on the legal duty to show dividends gross in the profit and loss account, and has obtained vindication of the views which have been quoted above. In other words, the opinion of one legal authority at least is that the great majority of companies are failing to comply with the law in showing dividends only at their net amount. Here is a big bone for legal molars!

In this note the attempt has been made to present fairly and frankly the views of the minority, after several years of accepting the views of the majority and criticising accounts from the latter's angle. The writer has, like many others no doubt, what might be termed a rule of thumb approach to accounts which has the familiarity of long usage. After long and serious consideration, it may be felt that the rebels against the majority accounting practice have made out a sound case, strengthened by the third presentation above, which has, we believe, never been adopted by any company.

Is the average shareholder all at sea with company accounts? Remembering that prospectuses and offers for sale are efforts at salesmanship and that the facts about earnings have to be presented in the simplest possible language if they are to have the maximum appeal, is there perhaps great significance in their use of gross figures? For instance, particulars published by one company at the end of

March gave an estimate of:

combined profits, after depreciation and amortisation but before taxation, of not less than £150,000 per annum. On this basis, the interest (gross) on the £300,000 Debenture stock would be covered more than nine times and, after deduction of such interest, the remaining profits would be sufficient to cover the dividend on the Preference shares and the profits tax thereon more than five and a half times.

Here is another example from details of a Preference share issue:

If from such a figure of £150,000 profits tax at 2½ per cent. and income tax at 9s. 6d. in the £ are deducted, there would remain £75,000, which would be sufficient to cover the net annual Preference dividend, together with additional profits tax thereon (requiring in all £11,962) more than six times.

These give the information on the interest and dividend cover much more simply and, it is true to say, less equivocally than any published company accounts. Is this, then, a time for second thoughts on the presentation of the profit and loss account?

Readers' Points and Queries

Divulging of Information to Tax Inspector

Reader's Query.—The Professional Note headed "Tax Conspiracy Charges" in your February issue (page 40) is without comment. In your opinion, were the new auditors correct in reporting to the Inspector of Taxes the under-valuation of stock?

It is my belief that an auditor's duties are confined to reporting to the shareholders of the company in accordance with the provisions of the Companies Act, 1948, and that any circumstances which result in the accounts and balance sheet giving other than a true and fair view of the company's affairs should be revealed by a suitable qualification in the auditors' report.

That such a qualification, as would be required to cover the facts related in the note, would result in the Inspector of Taxes becoming aware of the fraud is undoubted. The point is whether an auditor should conceive it his duty to divulge direct to third parties information which comes to his notice as a result of his audit.

Reply.—We agree with the writer that an auditor must not, in the absence of instructions, report to third parties. Here, we do not know the full facts, but it is thought that the report would have been made to the Inspector of Taxes because the auditors were engaged to deal with the taxation liability. It would be the auditors' duty to inform

the company of the importance of the company taking the first steps, not to leave the Inspector to initiate an inquiry as a result of the auditors' report.

Are Investments Current Assets?

Reader's Point.—Your severe stricture on the *Super Oil Seals & Gaskets Co.* because investments were shown among fixed (not current) assets is all the more surprising because it would seem the company is merely complying with the Companies Act, 1948 (8th Sch.) (5), sub-para. (1) of which says "The method of arriving at the amount of any fixed assets . . ." and sub-para. (2) "The foregoing paragraph shall not apply to any investments of which the market value is shown. . . ." This is clear authority for regarding investments as fixed and not current assets. An exception would be made in the case of investment dealing companies to whom investments like trading stocks would be a current asset. Apart from the Act a current asset, like a current account, is one that is continually changing. A current asset may be said to be one that passes through the company's trading cycle of cash into stock into debtors and bills receivable and back again into cash. In point of fact the showing of investments among current assets is perhaps the commonest of all errors to be met with in published accounts.

Our contributor replies: Our comment could hardly be termed a "severe stricture" for it was stated that the company was by no means alone in excluding from current assets an investment holding. However, as a matter of interest I looked at several reports of industrial companies with quoted investments, and in every instance these were included with current assets. From observation of hundreds of accounts I suggest that this is the generally accepted practice: whether this practice is or is not an error is open to debate. I should regard liquidity as a better test than continual change of the "currentness" of an asset. The quoted references to the Companies Act do not seem to me to provide the authority invoked by the reader: sub-paragraph (2) could equally well be taken as an implication that "investments of which the market value is shown" are not fixed assets.

Salaried Workers—Holiday Pay

Reader's Point.—The answer you give on page 161 of the May issue of ACCOUNTANCY is not correct for the trades for which Orders have been made under the Wage Council Acts, 1945-48. These Orders lay down certain requirements regarding the holiday pay of salaried workers and it is not possible to contract out of these provisions. Details can be obtained from the Secretary of the Wages Boards and Councils, Ebury Bridge House, Ebury Bridge Road, London, S.W.1.

Reply.—Our reader is quite right. We assumed from the form of the original query that it related to workers who were not subject to any Statutory Orders, but we should have made this clear.

Maintenance Orders

Reader's Query.—With reference to the article with this title in your issue of March, 1953 (page 86), when maintenance payments which come outside "small maintenance payments," as defined in Section 205 of the Income Tax Act, 1952, are inadvertently made gross by the father, who was unaware, until advised, of the correct procedure, will the Inland Revenue grant concessional treatment?

Reply.—This is a point not included in the list of official concessions. It will have to be put to the Revenue by our reader. We think it is possible that a concession would be made, but that remains to be seen.

Profits Tax—Distributions

Reader's Query.—In the Taxation Note "Profits Tax" in your March issue (page 89) you stated that a purchase of an asset at its proper market price from a member of a director-controlled company has in a recent case been held by the Special Commissioners to be a distribution for profits tax purposes. Could you inform me of the facts in this case?

With reference to the decision in *C.I.R. v. Chappie*, quoted by you, the Special Commissioners decided that £253 16s. 8d. of the increase in the current account was not applied for the benefit of Chappie, Ltd. The Crown expressed dissatisfaction with this decision, together with those on other points at issue (paragraph 10 of the reported case). In the judgment, however, this particular matter is not dealt with. Can it therefore be inferred that the Crown accepted the decision of the Special Commissioners on this point?

Reply.—It is regretted that we cannot pass on details of the case; they are confidential. Moreover, the facts do not matter; the decision does.

In the *Chappie* case, the amount of £253 16s. 8d. was for goods supplied, and administratively the Revenue do not seek to treat such payments as distributions. It is most unwholesome that the Revenue should be able to pick and choose.

Private Market Gardens

Reader's Point.—With reference to the contributions in ACCOUNTANCY on this subject, October 1951, page 386; November 1951, page 428; February 1952, page 77; and April 1952, page 147) I have been having a similar argument with H.M. Inspector of Taxes on the suggested reduction of a loss by the application of a fraction based on the proportion of the estimated household consumption to sales. A recent reply I have had is as follows:

With reference to your letter, there is no authority for calculation, but I think it is a reasonable method of arriving at the probable proportion of the loss shown by the accounts attributable to the loss on goods sold.

LAW

Legal Notes

Company Law—Continuation of Meeting

In *Jackson v. Hamlyn* (1953, 2 W.L.R. 709), a company meeting was being held and a motion for its adjournment was carried. One of the shareholders then demanded a poll. The chairman pointed out that it would be some hours before the result of the poll could be announced and that it would be impracticable to continue the meeting that day. It was therefore decided to hold the poll at once and to announce the result later. The poll was taken and a large majority voted against an adjournment. A new date was fixed for the meeting to be resumed and the question arose whether this meeting would be a new meeting or an adjourned meeting or a continuation of the first meeting. The point was of importance because, if it was a mere continuation of the old meeting, no further proxies could be validly deposited because the articles required proxies to be deposited 48 hours before the holding of the meeting.

Upjohn, J., held that the meeting to be held would be a mere continuation of the old meeting.

Contract and Tort—Exclusion of Meaningless Terms in Contract.

In the formation of a contract it often happens that the parties agree on the main terms but leave some subsidiary terms open for negotiations: in other cases the negotiations are completed but one clause in the contract is so vague as to be meaningless.

In *Nicolene Ltd. v. Simmonds* (1953, 2 W.L.R. 717) the Court of Appeal explained the difference in the legal effect of these two sets of facts. Denning, L.J., said:

A distinction must be drawn between a clause which is meaningless and a clause which is yet to be agreed. A clause which is meaningless can often be ignored, whilst still leaving the contract good; whereas a clause which has yet to be agreed may mean that there is no contract at all, because the parties have not agreed on all the essential terms.

The facts of the case were that the parties had agreed on the sale of some steel bars subject to "the usual conditions of acceptance," but there were no "usual conditions of acceptance." The Court held that as the clause was meaningless it could be ignored and the contract was good.

The Court threw some doubt on the correctness of the decision in *British Electrical and Associated Industries (Cardiff), Ltd. v. Patley Pressings, Ltd.* (1953, 1 W.L.R. 280), which was noted in ACCOUNTANCY for April, 1953 (page 129).

Contract and Tort—Master's Liability to Wife for Negligence of Husband.

In *Broom v. Morgan* (1953, 2 W.L.R. 737), the Court of Appeal held that, although a wife cannot sue her husband in tort except for the protection of her property, yet if she is injured by her husband's negligence during the course of his employment she can recover damages from her husband's employer. The facts of the case were that both husband and wife were employed by the licensee of a public house and owing to the negligence of the husband in leaving a trap-door open the wife fell down and was injured. The Court held that she was entitled to recover against the licensee. The husband had failed in his duty of care towards his wife and the licensee was liable for that failure.

Executorship Law and Trusts—Wills made in Contemplation of Marriage.

By Section 18 of the Wills Act, 1837, every will made by a man or woman is revoked by his or her marriage, but for wills made after 1925 the strictness of this rule is mitigated by Section 177(1) of the Law of Property Act, 1925, which provides that a will expressed to be made in contemplation of a marriage is not revoked by the solemnisation of the marriage contemplated.

In the *Estate of Langston, deceased* (1953, 1 W.L.R. 581) a testator bequeathed all his property to "my fiancée B," whom he later married; he made no subsequent will. Davies, J. said that to decide whether Section 177(1) applied the test was this: did the testator express the fact that he was contemplating marriage to a particular person? In this case the testator had made it plain that he was contemplating marriage with B and the will was therefore not revoked by his marriage with her.

Miscellaneous—Husband Guaranteeing Wife's Bank Account.

In *Anson v. Anson* (1953 1 W.L.R. 573) a husband at the request of his wife guaranteed the wife's bank account out of which the housekeeping expenses were normally paid. The parties were later divorced and the husband afterwards had to pay £500 to the bank under the guarantee. He claimed the £500 back from his former wife and Pearson, J., held that he was entitled to succeed. The ordinary rule was that a guarantor who had been called upon to pay the debt of the principal debtor was entitled to reimbursement, and that rule was not displaced merely because the guarantor and the principal debtor were husband and wife. In certain cases there might be a special arrangement, express or implied, under which the amount paid by the husband should be treated as an advancement to the wife, but in the case before him there was no such arrangement and the wife was liable to reimburse the money.

The Society of Incorporated Accountants

SIXTY-EIGHTH ANNUAL GENERAL MEETING

THE SIXTY-EIGHTH ANNUAL GENERAL MEETING of the Society of Incorporated Accountants and Auditors was held on May 19 at Incorporated Accountants' Hall.

The President, Mr. C. Percy Barrowcliff, F.S.A.A., who was in the chair, moved the adoption of the report and accounts, and delivered the address which is reproduced on pages 184-185 of this issue.

The motion was seconded by the Vice-President, Mr. W. Bertram Nelson, F.S.A.A.

Mr. C. R. Riddington, F.S.A.A. (Leicester) said that anyone looking at the accounts for the last few years must feel a sense of frustration at the continuing loss of reserves. In two years they had depleted the reserves by approximately £6,000. It would take quite a time to build up even the small reserve of £8,000 they had a year or two ago. He thought they should seriously consider the question whether members should contribute some form of levy to renew the funds of the Society. His proposal was that a levy of £1 1s. per member should be made for the next two years, and also that a charge of 10s. 6d. should be made for each issue of the list of members.

The President, Mr. C. Percy Barrowcliff, F.S.A.A., said that the Chairman of the Finance Committee was not able to be present at the meeting but what Mr. Riddington had said would be borne in mind. There were complete answers. Part of the loss of reserves was occasioned by their coming back to the Hall, and by having to stand part of the cost of restoration on their funds. Another exceptional charge was incurred in connection with the International Congress, which he was perfectly satisfied was one of their best investments.

Mr. F. A. Roberts, A.S.A.A. (London), thought the position was not really as bad as the accounts showed. In the published accounts for 1951 they finished with a net balance of income over expenditure of £4,948. That figure in last year's accounts, for comparison purposes, was shown as £698. He found that £4,250, shown in the 1951 accounts below-the-line, had for comparison come up above-the-line,

so that really they should not compare the result shown in 1952 with the figure of £698, but with £4,948. He did not quite understand the method of dealing with the List of Members. The total cost of the 1953 List was something over £6,000. From the 1951 accounts he observed that up to December 1951, they had charged no more than the cost of the List of Members for 1951. When they came to their present accounts, one year later, they had borne the expense, either above- or below-the-line, of over £6,000 in respect of the List of Members for the year 1953. With great respect to the Finance Committee, he did not follow upon what basis the production of the List for 1953 had any relevance whatsoever to an accounting period ending on December 31, 1952. If it had some relevance, then they had to compare that with the accounts for the year 1951, in which they covered only the List for the year 1951. In the present accounts they had covered their expenditure at a date when the List had not been circulated to members. He thought that the cost for 1953 might well be post-dated, part apportioned for the year 1953 and a similar proportion for 1954, but he found it difficult to appreciate how it was they were ante-dating. Therefore, if that was right, their position was not quite so impoverished as one might think without further examining the accounts.

The President said that if there were no further comments, he would put the resolution to the meeting.

The resolution was declared carried.

The President then presented the Gold and Silver Medals in respect of the Final Examinations held in the year 1952: the Gold Medal to Mr. Joseph Askew Hedges, of Canterbury, and the Silver Medal to Mr. Peter John Gibson, of London. (Applause.)

Mr. P. Toothill, F.S.A.A. (Sheffield) proposed a resolution:

That the contributions made by the Council from the funds of the Society of Incorporated Accountants and Auditors of two hundred and fifty guineas to the King George VI National

Memorial Fund and of one hundred guineas to the Lord Mayor of London's National Tempest and Flood Distress Fund be and are hereby confirmed.

Mr. A. Stuart Allen, F.S.A.A. (London) seconded the resolution, which was carried.

Mr. R. Wilson Bartlett, F.S.A.A. (Newport) said that the next resolution, which was in his name, was a composite one, and he therefore desired to propose that all twelve names should be taken together, to save twelve separate resolutions. If there was one member against that course he would have to proceed to take each name separately. He proposed that all twelve be taken together.

Mr. R. A. Witty, F.S.A.A. (London) seconded the proposition.

The President, after taking a show of hands, said that Mr. Wilson Bartlett could proceed; there was not one dissentient on the proposition.

Mr. R. Wilson Bartlett proposed that the following retiring members of the Council, who included five Past-Presidents, should be re-elected to the Council: Mr. John Ainsworth, M.B.E.; Sir Frederick Alban, C.B.E.; Mr. Albert Stuart Allen; Mr. Charles Percy Barrowcliff; Mr. Robert Bell; Mr. William Henry Higginbotham; Mr. Hugh Oliver Johnson; Sir Thomas Keens, D.L.; Mr. Walter Hindle Marsden; Mr. Thomas Holme Nicholson, O.B.E.; Mr. Percy Toothill; and Sir Richard Yeabsley, C.B.E.

Mr. Witty seconded the proposition.

The resolution was declared carried.

The President said that the next item was that Mr. Yates Lloyd had been nominated for membership of the Council, in accordance with Article 55, by six members of the Society, all of whom in fact were members of the Manchester District Society. Mr. Yates Lloyd had intimated in writing his willingness to be elected a member of the Council. Perhaps at this

point he could have the resolution duly proposed and seconded.

Mr. A. T. Eaves, F.S.A.A. (Manchester): Mr. President, Ladies and Gentlemen, I have pleasure in proposing that Mr. Charles Yates Lloyd, Fellow, Manchester, be appointed a member of the Council. If at times I am critical, perhaps severely so, of what has taken place in respect of this nomination, it is only in the hope that good may come of it.

I would remind you that for 364½ days in the year, 365½ in leap year, the Council is in charge of our Society's affairs. Today is the half day on which we gather the reins into our own hands and have a look at what the Members of our Society have been doing during the past year, make corrections or amendments if any are thought desirable, and send them on their way again. In this meeting we are all only "simple" members of the Society, using the word "simple" in its best sense. Membership of the Council becomes dissolved here into membership of the Society.

Let me deal with the points of objection to this nomination now, and when submitted to the Council four months ago to fill what was then an occasional vacancy. I have been in all the negotiations during that time, and these are the objections as stated to me. First, we were informed of the need to submit several names to preserve the right of the Council to make the final selection when filling an occasional vacancy, and only then as provided in Article 48. This, I believe, is a recent requirement possibly now for the first time levelled at Manchester. At all events I am credibly informed it was not in effect in 1947 when we then submitted only one name to fill an occasional vacancy under the same rule, which was accepted. Officers of other branches who have recently had the same experience will know whether this stipulation was made to them. Having regard to the Council's now declared open opposition to our nomination, one cannot help wondering whether the true intention behind this demand was not to preserve the right of choice but was to keep Lloyd out. Does anyone here imagine that if we had been able to submit the name of Sir Richard Yeabsley there would have been this requirement? If the answer is "No," then I submit that proves my point. I place Lloyd on no lower level than Sir Richard in the intensity and volume of his work for the Society.

The second requirement, as stated to us, was the need to be in a certain age group, somewhere round about forty, and as to character, ability and perhaps other matters. I have been told there is in existence a short list of potential members of the Council made up of eminent people who have an established reputation in our profession. I would be surprised if a nominee of any of our branch societies would not be outshone by those in that list, so why bother district societies for nominations at all? I shall have something to say in this respect when I tell you of my personal but mainly unsuccessful efforts to unearth someone so brilliant in Manchester.

The third requirement was the advisability of having more members in commerce on the Council. We share that view, but as Manchester

has not any representative at the moment, but should on past proportions have two, we have what I consider to be a natural desire for our first one to be in practice, and would, I think, then agree to find the other from industry—if, as I understand may be the case, we Manchester men are to be restored to our rightful position on the Council by the Liverpool gentlemen thereupon who at some time or other—quite honestly, no doubt—seem to have moved up one at our expense.

And now I am serious. Having, as it were, laid the scene before you, Mr. President, Ladies and Gentlemen, I deprecate, as being not only unworthy of the Council but as also entirely outside its power to utter, the last sentence in the Council's notice to members of the 8th instant. When with a closer knowledge than anyone else of Lloyd's unremitting services to our Society, we held to our decision to submit only his name to fill the vacancy, in our negotiations with the Council, the Council was within its powers in refusing to act on it, though we may not approve the method it adopted, because it was then proposing to exercise what was solely its right under Article 48 to fill it. When, however, the nomination was made under Article 55, the powers of the Council in that respect no longer existed, for the right to approve or disapprove became yours and only yours. That very article says in the first sentence that recommendation by the Council for membership is necessary *unless* a certain course is followed. The operative word there is "unless." It clearly means that if that course is followed the Council has no voice in the matter for it has then been referred to you in your overriding position here today in annual meeting.

We followed that course, and not only so—in order to avoid unseemly vote catching—I wrote these two letters to Mr. Craig. The first was on Thursday, April 23, 1953. "Dear Mr. Craig, I write to confirm my telephone message when I informed you that the wish still continues somewhat strongly, as expressed by the meeting this morning, to have Mr. Charles Yates Lloyd as our representative on the Council, and the nomination will be made in accordance with the Articles of the Society." Then on the 24th, the following day, "Dear Mr. Craig, I felt I ought to write and inform you that we shall do nothing whatever in the way of seeking support for our nominee between now and the meeting, as we think it would be improper so to do."

They were followed by the lodgment of about twenty proxies in my favour—all from committee members and their partners, and a few others have come in voluntarily since. We have not solicited a single vote from anyone. As I am an insolvency practitioner you may guess that I have had to champ hard on the bit to restrain my youthful but quite harmless energy in that direction in such circumstances, but in truth I took a lead in the reaching of that particular decision for feelings had been running high and there was great temptation to invoke help from our district society members. We therefore come to you today weak in numbers but strong in argument, and with clean hands.

What effect had our "fair play" appeal on the Council? It immediately issued its notice

of the 8th instant to 9,518 members setting out, *inter alia*, that for reasons not stated but to be given today it did not recommend members to support Lloyd's nomination. Can that be interpreted other than as an attempt to solicit support without stating the facts? Apart from what I consider to be the provocative, harmful and dictatorial aspect of this act of the Council you will readily appreciate that of the 9,500 members to whom the notice was sent, only a handful are here today to receive the explanations, leaving the others with a possible, even probable, adverse view of Lloyd in a respect not intended by the Council but nevertheless conveyed by the wording of the notice.

Just one further point on a question of principle. If the Council is to be allowed to publish its comments on members' nominations for election to the Council at an annual meeting, does it not follow in effect that the Council, and not you, is appointing its own members—surely a state of affairs that must not be tolerated? It will mean that every branch must obtain the approval of Council before exercising its right to make such nomination, or run the risk of adverse comment being added to the notice.

And now to Lloyd himself. A standard for Council members, as you now know, has recently been created by the Council which, whilst it can only be applied to the filling of occasional vacancies under Article 48, unless you also apply it in general meeting, represents—I have not the slightest doubt, in spite of the criticisms I am making—a step designed to be in the best interest of the Society. Today there is not one vacancy to be filled. There are thirteen. The word "vacancy" is absolute. It does not matter whether it is created by retirement, resignation or in any other way. It is just a vacancy.

We at this meeting have a right to fill all these vacancies in any way we wish. The Council has issued what amounts to an edict in respect of one nomination. I shall shortly admit a possible need for a different method of recruitment to our Manchester committee. I have also been given to understand that the new standard I have mentioned has been brought into being in respect of the Council itself with the same objects in view.

I feel therefore I have a right to ask whether the other twelve candidates have been measured by the same yardstick as Lloyd in regard to presidential potentiality, for that is what this new standard boils down to. If they have not, and feel that is what the answer must be on the question of age alone, then has there not been perpetrated today before your very eyes what may fairly and accurately be described as a number of voidable preferences?

I do not make this point critically for I do not consider we ought to have a Council comprised only of brilliant youngsters, and I am indeed very happy to see many of our former leaders yet in office. It is still impossible to put old heads on young shoulders. My only object in raising the matter is to show inconsistency by the Council in submitting these thirteen nominations to you.

What is Lloyd's measurement? It is that he is fifty-two years of age, and that he qualified in 1926. His first link with our district society was that he became auditor of it shortly after qualifying. He was a member of the committee in 1931, treasurer in 1939, secretary in 1943, vice-president in 1947-48, president in 1949-50, and is now secretary again.

I have been a member of the committee a dozen years or more, treasurer in 1948-49, vice-president in 1950-51, president in 1952-53, and so have worked closely with him. To say that I have been secretly amazed at the volume of work done by Lloyd for the Society, unostentatiously with quite inadequate financial recompense, as is no doubt well appreciated by our other branch secretaries, but, in spite of this, stinting nothing in respect of the services of himself and his staff to further the name and interests of our Society, and always in complete accord with our other officers, is not an overstatement.

Let me mention an alternative course that was suggested to us by headquarters, which is preceded by a short analysis of our Manchester committee members. The first chance of appointment to the Council should, I am sure you will agree, go to committee members of the district society concerned. Although we have only nominated Lloyd throughout I did turn my mind to our other committee members with the following result. On the new standard suggested by the Council nine out of sixteen are over age. Of the others several would not accept nomination by reason of pressure of business or on grounds of ill health, and the last one has only just qualified and joined us.

I will permit no criticism of my officers because of what I have just said. They are, every one, devoted members of the committee, and regularly attend all meetings, lectures, refresher courses, dinners and other functions. Their type is the backbone of our Society. I would, however, agree—as is apparently the case with our Council—that the infusion of new, young and vigorous blood could be a good thing, and so welcomed a suggestion put forward in helpful spirit by headquarters that we should receive the names of certain members of the Society in our area, who on their records might be potential Council candidates. My idea was to bring them first on to our committee and pass them through later if found suitable. I have spoken to three of them. Quite properly they all enquired as to the demands upon their time acceptance of office would make, one of them pointing out that he endeavoured never to undertake anything to which he could not subsequently give full thought and attention. In the result only one has accepted the invitation, and will be nominated to our committee next month.

But, of course, we branch officers are probably just as overloaded as anyone else with the cares and anxieties of a busy professional life, but in spite of that we give our services to the society without let or hindrance.

I personally would not in any circumstances support the nomination for election to Council immediately of anyone secured in that manner over the head of a tried and trusted member of the Society like Lloyd.

The Council's notice of the 8th instant refers to "the outcome of certain consultations which are proceeding." These, of course, need not necessarily be those with Manchester, but if that in fact was meant then I tell you there are no such negotiations pending.

Please take what I am now about to say merely as a decision reached, and not an attempt to use the big stick. Lloyd is, and will remain, our only nomination for *this* vacancy. If he is not elected the vacancy turns back into an occasional one, and we must leave the Council to fill it by electing someone else and Manchester will be unrepresented.

I give you my pledge for myself, and so far as I can influence them, my fellow officers, that we shall then carry on with our duties with this unpleasant episode dismissed from our minds, but I do not include Lloyd in this for, as you will sympathetically understand, he now has a sense of deep grievance.

I ask you to support his nomination not only to give effect to all that I have said, including the criticisms I have made, but because in your view, and many of you must know his worth and his work for the Society, he is eminently suitable to become a member of the Council. (Applause.)

Mr. F. O. Wilson, F.S.A.A. (Manchester): I have the greatest pleasure in seconding the nomination of Mr. Lloyd.

The President: Now that we have had the resolution proposed and seconded it falls to my unfortunate lot to make a statement on behalf of the Council at this juncture before the discussion goes any further.

I should say I am very sorry it has reached this particular stage. The notice given to members of this nomination stated that the Council could not support it because important questions of principle were involved. I should like at once to make it absolutely crystal clear, as I think in fact the notice did, that there is nothing personal in this so far as Mr. Yates Lloyd is concerned. I accordingly propose to specify the questions of principle (which are the only matters the Council have considered) which prevent the Council from supporting the resolution which has been proposed and seconded.

The first principle is this, that members of the Council are not delegates of any particular district society and the responsibility of members of the Council is to the whole body of members.

The second is this, that since no district society has a right to direct representation on the Council, vacancies on the Council should be filled by the best men available, irrespective of their place of business or residence.

We are all aware that Manchester is the oldest and largest provincial district society, but, nevertheless, this does not entitle the Manchester District Society to exemption from the two fundamental principles which I have just mentioned. I naturally made inquiries in Manchester and sought informally the advice of the Manchester President, whom I asked to suggest the names of three or four or even more members who, in his opinion, were qualified

to serve as members of the Council. I told him that he need not necessarily confine his suggestions to the names of practising members as there seemed good grounds for strengthening the representation of members in industry if a candidate of the calibre required could be found.

I also wrote and made a similar request to the Presidents of all other District Societies in England and Wales. These inquiries are still proceeding, and they have already produced the names of several members, anyone of whose nomination, had it been submitted to you today, would undoubtedly have received a large measure of support. This step, however, has not been taken because the Council feels that it would be entirely wrong to take precipitate action until the inquiries which I have set on foot have been completed.

In the circumstances, I did suggest to the Manchester members that there was much to be gained and little to be lost by leaving the vacancy open to give more time for consultation. This suggestion has unhappily not met with their approval.

I take this opportunity of explaining the Council's policy in relation to Article 48. The Council has power, under Article 48, to fill a casual vacancy, but the person so appointed holds office only until the next annual meeting when he is required to offer himself for formal election by members attending the meeting—precisely as was done with those who were re-elected unanimously by the show of hands of every member (as far as I could see) present in this room today. It is not the policy of the Council to exercise the power under this article unless there is evidence that the interim appointment so made will command universal approval.

For the reasons I have given, and with very great regret—and with a sense of embarrassment in asking you to do it—I ask members to vote against this resolution, thereby giving more time for consultation.

As I say I do regret it intensely, and I would profoundly hope that even at this very late hour Manchester will be so good as to reconsider and give the further time for consultation rather than have this go to the vote, which will mean, of course, a split vote anyhow. I think that if second thoughts could be allowed to prevail we might then finish on a much happier note. I would like to make that very earnest personal appeal to the Manchester members. We are all out surely to serve only the interests of the Society.

Mr. F. A. Roberts: Do you consider that you or the Council had any right to make any comment upon this nomination in the notice given to all members?

The President: May I deal with that question straightaway? The Society's Solicitor is present, and I will ask him to answer the question.

Mr. B. W. Gould (Solicitor to the Society of Incorporated Accountants): The question which Mr. Roberts has put, as I understand it, is whether the Council had any right, when they gave notice of the nomination of Mr. Yates

Lloyd, to include a reference to their not supporting it or not recommending members to support it because questions of principles were involved. Notice of nomination has to be given under Article 106, and I think the President will not mind if I mention that I was consulted as to what should be said in that notice. I advised, as the Society's Solicitor, that it would be quite wrong for the Council to send out a notice saying there had been a nomination (which they did not feel they could support) without informing the members that they could not support it, so that any members who wanted to know why and who could get here should know that it was not a nomination which went forward with, if I may use the phrase, the blessing of the Council. I think that, if it had gone forward merely as an open notice without any reference to the Council's views, members who received it would have been entitled to assume it would be supported by the Council, and would have been entitled to complain had they not been warned that was not the case.

There is no provision in the Articles which governs this, but I think it will be accepted by all of you that the duty of the Council is to manage the affairs of the Society, and therefore it would be one of their duties which they would not fulfil if they did not tell members, on a matter of this kind, what their view was.

Could I add this, that in my opinion any member of the Society, who received notice of the nomination, could, if he was so disposed, have sent a circular to all members that, although Mr. Yates Lloyd was going to be nominated, for one reason or another (whatever it might have been) he felt he was not the ideal candidate and therefore asked members to vote against him? There is no difference in that respect between any member of the Council and any member of the Society.

Finally, could I just add that it was stressed in the notice that important questions of principle, with which the President has dealt, were involved, and therefore there was no suggestion there was anything personal so far as Mr. Yates Lloyd was concerned.

Mr. O'Connor, A.S.A.A. (Manchester): I came here today because I was intrigued by the reference in the notice convening the meeting about the nomination not being supported by the Council. I have a slight acquaintance with Mr. Yates Lloyd, and on reading that notice it intrigued me so much that I came here to find out exactly what misdemeanour he had committed. I regarded it personally as a reflection. I do not think anyone could read it in any other way. I was very much surprised that the Council should impugn that Mr. Lloyd had been guilty of some misdemeanour. I must protest about it, and I do think the Council ought to embody in its next statement to the whole of the members some sort of withdrawal of that.

Mr. A. T. Eaves: May I just comment on Mr. Gould's point that it is the duty of the Council to govern the affairs of this Society?

The President: I do not think we should enter into a discussion on that. I do not want to stop you and I do not want to interfere, but if you are going into a legal argument I think you should do it after the meeting or at some other time.

Mr. A. T. Eaves: I was only going briefly

to say that the letter I wrote to Mr. Craig on May 14—I have not read it—construed Article 55 and Article 160 in the opposite way to the advice given by your solicitor; and this letter was settled by a solicitor.

The President: Just as accountants disagree on various matters, we can only be guided by the Society's own solicitor. I am sorry; there it is.

Mr. W. P. Gunn, F.S.A.A. (London): I do not know what the history of this is. I came to see what had happened to the Society because this did not seem quite right to me. If this gentleman has done such good work for the Society and the bye-laws have been complied with I cannot see why it cannot be put to the vote; and I hope he gets elected. That is my opinion.

Mr. C. R. Riddington: Sir, I think you have made it quite clear that a question of principle is involved in this matter and no reflection on Mr. Yates Lloyd personally. I really would like Manchester to reconsider this matter as you suggested. I think the best course is for Manchester temporarily to withdraw this nomination. They can put it forward again if they feel disgruntled. Quite obviously an approach was made to Manchester in the first place to replace its member of the Council, and I think it is Manchester's probable approach to the problem which has caused the difficulty. I think that if on reconsideration they withdraw they probably will not be so disappointed, as I see it, as they think they will.

Mr. L. F. Tate, A.S.A.A. (London): I move that the vote be taken.

The President: Do not let us rush the affair. Let everyone have a fair chance to say what he wants to say.

Mr. J. E. Spoor, F.S.A.A. (Newcastle): If nobody is appointed to fill this vacancy does it still remain a casual vacancy which the Council can fill, or does its right cease at this annual meeting until the next annual meeting? I have not got a copy of the Articles.

Mr. B. W. Gould: Quite clearly the casual vacancy will remain as such, and it can be filled by the Council under Article 48—or it need not. The President has already made clear the Council wants time to consider before it exercises that right.

Mr. L. F. Tate: On a point of order I move that the vote be put.

The Chairman: There is no seconder.

Mr. A. V. Hussey, F.S.A.A. (London): In rising to speak on this particular matter one is fully conscious of this fact. Support for the Council means that Lancashire, and Manchester in particular, are not going to be very pleased with it. Support for the nomination means that the Council are not going to be very pleased. The obvious way out of it is to do what the majority of Incorporated Accountants always do—stay away! No one can possibly know what you are thinking if you are not here. But this Society, the same as any other society, does not function and get along by the silence of the vast majority. If it moves at all it moves because of the interest of the minority.

Now, Mr. President, members of the Council, ladies and gentlemen, I was hoping that I should hear oil being poured on trouble waters; but I am afraid that at the moment it looks to me that, if this resolution goes ahead, we are going to have some trouble in trying to count

votes and all the rest of it. Let us face it. We, the members of this Society, elect the members of the Council—theoretically. We all know that in fact it is a self-appointed body, but is there any real objection to it? This Society has functioned for over half a century, and it appears reasonably to hold its own with others; and we look forward to it progressing in the future.

But now I must confess, just as any ordinary member of this Society and with no knowledge whatever other than the notice I received, this does not seem to be too fortunate; this does not appear to be too happy. What has gone wrong? Others have already expressed that, and so, with all due respect to the Society's solicitor, I suggest that the choice of words was not all that perhaps it could have been. There are 9,518 members of this Society; all have received the same document; and I suspect quite a few have read into it or felt about it some of the views which have already been expressed here this afternoon.

I have no desire to offend you, sir, or your colleagues on the Council, and as regards my dear friend Mr. Arthur Eaves, Chartered Accountant and Incorporated Accountant, President of the Manchester District Society, I have not the slightest desire to offend him or his committee members in Manchester; but I would dearly love to walk out of the room without doing anything about the vote at all because here we have got without a shadow of doubt a very well deserved nomination, Mr. Yates Lloyd, Manchester. I wonder whether it is possible for us to hold our horses for a bit? Can the solicitor give us any guidance so that we might refrain from taking any vote here today and allow the matter to be adjourned until, for want of a better expression, tempers have died down a little bit?

Mr. A. T. Eaves: Perhaps the solicitor can help me here, but as I read Article 55 it is this, that if six members give the requisite notice to the Secretary then the recommendation of the Council is not needed. It is only if there be no notice, as provided, given that the recommendation of the Council is required. That is how I read Article 55. Am I right in assuming now that for every nomination, irrespective of notice, the recommendation of the Council is necessary? That is the only point on which I am not clear.

Mr. W. G. A. Russell, F.S.A.A. (Birmingham): I think perhaps a word from myself, as one of the youngest members of the Society's Council in length of service, might not be altogether out of place, because during the twenty months I have been on the Council I have formed some very firm impressions of what is done in this building. First of all I have been very struck by the spirit of corporate loyalty which is found at the Council meetings here. Secondly, I have been very struck by the care and thought devoted by members of the Council to the work and affairs of the Society. Thirdly, I have been very impressed with the advanced outlook on matters of accountancy and on matters affecting the Society's future. Finally, and this is the point I would emphasise to the members here, I really have been very moved by the devoted service given to this Society by many of the members of the Council. The work of committees, the work on research

and the work at the council meetings are really an object lesson in devoted service.

I think it is very important that in electing members to the Council we should elect them not necessarily as a reward for service but for their abilities and standing in the profession. I do not think that need in any way be a reflection on the integrity of Mr. Yates Lloyd. I would say there are many loyal workers for the Society up and down the country. I know numbers of them myself who have done excellent work, but they would not in my view be suitable for service on the Council. So I think really this is a matter of the loyalty of members to their Council. I think that, if this resolution was persisted in and carried, it would be tantamount to a vote of no confidence in the Council which has served members so very well over so many years. Finally, may I say that at the council meeting this morning the Council voted overwhelmingly—in fact, unanimously—in support of what has been done over this particular matter, and that I think reflects to the members what we really do feel.

Mr. E. Emmerson, F.S.A.A. (Leeds): I do not know the full facts; I only know what is in the notice, and having heard the views expressed here today, I feel in this matter that Manchester is rather trying to force the rest of us into a difficult position. We are informed in this notice, helped by what you have said, that the matter is still under consideration, and that various inquiries are not complete. I should have hoped, therefore, Manchester would have withdrawn this resolution until such time as your inquiries were complete. As it is I shall vote against the resolution for the simple reason that I feel they are trying to force us to act. I have nothing against Mr. Yates Lloyd in the matter at all, but I feel my hands anyway, as an individual member of the Society, are being forced by Manchester putting this resolution when we are advised that there are certain inquiries still proceeding. Manchester want to put it before us before the inquiries are completed. That raises my blood as a Yorkshireman, and I shall vote against it.

Mr. K. R. Stanley, F.S.A.A. (Lancaster): Since I started attending these annual meetings and district society conferences some years ago I have been very struck by the desire of all members to have a satisfactory basis for the election of members to the Council. I realise there is very strong feeling in some quarters that there should be representatives appointed from each district society. Equally strong is the feeling that the current members of the Society's Council are able to see perhaps further and deeper than the rank and file, and I have always come down on the side of the Council filling a casual vacancy before an annual meeting and submitting its nominee for acceptance at the next annual meeting in accordance with the Articles.

With all due respect to Mr. Gould, an unfortunate impression has been created by the wording of this notice, but when I read it I put two and two together and said this point of principle which is mentioned obviously has to do with the geographical or otherwise qualification of members of the Council. I said probably there has been some tussle between the Council and the Manchester Committee, and maybe one or the other has been a little pig-

headed. If that is not a sufficiently parliamentary expression for this meeting I withdraw it, but you know what I mean. I think there has perhaps been inadequate consultation; somewhere the lines have not come together; they have diverged.

I do very much regret that the notice should have gone out in this way because Mr. Lloyd would I feel be a tremendous asset to the Council. But may I add a little qualification to that? He would have been a very much greater asset had he been nominated in the ordinary way without any opposition. I feel that the principle of letting the Council select provisionally members of the Council is good, and it would please me very much if this resolution was withdrawn and later the Council filled the casual vacancy by the election of Mr. Lloyd. I feel he would be placed in a very, very great difficulty, if elected today, in serving on the Council. No doubt they would all pull together, but there would be the feeling that someone had jockeyed someone else, whichever side it might be, into an unfortunate position.

Mr. R. A. Witty: It was not my intention to take any part in this discussion, and I do so now only to emphasise the point which the President has made, that there is nothing personal about this matter at all. It has been my pleasure to know Mr. Lloyd for a number of years. I have been very proud to acknowledge him as one of my great friends in the Society over a long period. Mr. Yates Lloyd and myself did not always agree when we were sitting on opposite sides of the table at district society conferences or anywhere else, but the fact that we did disagree I hope did not affect our opinion of each other. Perfectly frankly, whatever the result of this discussion may be, whether the resolution is passed, lost or withdrawn, it will not make the slightest difference to my high opinion of Mr. Yates Lloyd, and I cannot really imagine that it would make any difference to anybody else's opinion.

Of course we all realise that our friends from Manchester are perfectly in order in bringing forward this nomination. The Article itself says any six members can nominate a person. Of course that is not really the beginning and end of the matter because otherwise we should very soon have a position where the Council was a quite unworkable body. Any six members could come to any annual meeting and, having given the requisite notice, nominate someone. We could have a state of anarchy. Of course, from the point of view of geographical representation, I frankly think it is not practicable. If you had representatives, let us say, from every district in the United Kingdom, and from every district in the Commonwealth, because our members are all over the world, again you would obviously have a body which would really be so large as to have no executive power.

But what I am impressed by is this fact. I would hate to think that Mr. Yates Lloyd became, so to speak, the centre of what I think Mr. Eaves called an unpleasant episode. It is not our conception of Mr. Yates Lloyd. The only way of avoiding that really is for Manchester to withdraw the nomination, believing that the Society's Council will fairly carry out the further inquiries it is making. Although I know there are feelings on both sides I would

still ask Manchester if they can see their way to withdraw the nomination until the further inquiries are completed so that we can retain the harmony which otherwise might be spoilt. I appeal to our Manchester friends.

Mr. A. T. Eaves: This has been before us for a matter of five months. You did ask me for three or four names. I met my Committee, and then later I put to my committee the views which you and Mr. Nelson expressed. I have seen you; I have seen Mr. Nelson; I have seen Mr. Craig; and Mr. Yates Lloyd has done the same. We came back. The members of my committee quite freely made up their minds when we came back, and they said "We want Mr. Yates Lloyd." The vacancy here was created by the resignation of Mr. Smith who represented Manchester, but clearly on that ground I do not claim that the vacancy should be filled by Manchester. The approach was made to us; we did not make the approach to the Council. An approach was made to us to submit those names, and we thought we were making the position simple by submitting the name of one man, the man we wanted. I do not think it would be the slightest use in going back to my committee with the same request. I have met them several times on this, and I know their feeling. I think it will have to be left to the meeting.

Mr. J. A. Allen, F.S.A.A. (London): I think we have the answer to some extent in the last unfortunate words of our friend from Manchester, "We want Mr. Yates Lloyd." I think all the other members of the Society have to consider the interests of the Society as a whole, irrespective of Manchester. I do feel, from just my knowledge of the proceedings this afternoon, that there is some attempt to force an issue here, to force a member into the Council. That seems to me a most unfortunate proceeding and one which can but reflect on the dignity of members themselves and the district society of which he is a member. I do feel that in this matter we must consider the interests of the Society as a whole and not just the interests of one particular district society.

Mr. A. T. Eaves: We have done nothing but what is permitted under the Articles.

Mr. H. K. Greaves, F.S.A.A. (Swansea): Is there not a middle line we can take? If the Council be urged to fill this vacancy under Article 48, if that is carried, would that not save the dignity of Manchester and of Mr. Yates Lloyd?

The President: I am informed by Mr. Gould that is not a suitable amendment, because it is just a negative.

Mr. Greaves: As a provincial member, the position as I see it is this. I do not know Mr. Yates Lloyd, and I would hate to cast my vote against him because I do not know him. On the other hand there is a loyalty which we all owe to the Council. I would not like to be forced into the position of voting against them. If a middle line can be decided on I am sure the Council will take note of the expression of opinion here this afternoon, and it may very well be this matter can clear itself within a very short time; but the Council would have to act quickly in making a nomination.

The President: Our position was that if you vote against the resolution there will be a period in which these inquiries can be completed and deliberations resumed with Manchester in the light of those inquiries—that really is what you are saying now. That is exactly what the Council wanted to do.

Mr. W. J. Back, F.S.A.A. (London): Surely the most important thing is the question whether members, like members in the political world, represent particular areas. I suggest that in the past the Council has paid too much regard to the territorial distinction, and has brought this on its own head. May I suggest, as another way out, that you, on behalf of the Council, undertake that a small committee of the Council will look into the whole question of how members are appointed and make a recommendation to a future meeting of the Society? I do think for all these years this particular scheme has worked, but it is time it was reviewed and possibly some alterations made. I think the amendment should be along the lines of doing away with the territorial distinction so that nobody is the member for Bristol or Manchester but everybody is a member for the Society.

Mr. A. T. Eaves: I am sorry, but Mr. Gould did not give me an answer to my question whether the clause in the Articles, which makes it obligatory for the Council to recommend a nomination where the requisite notice has not been given, also applies where the requisite notice has been given. I had no answer. Might I have one?

Mr. B. W. Gould: I did not intend to avoid answering the question. The answer is that there is no such clause, but I do think you have misread Article 55. Article 55, in effect, says that if someone is nominated by the Council for election that is sufficient; you do not want six independent nominations because the Council recommend him, and he can go forward to the meeting for the members to consider and vote on the matter. If, however, the nominee does not come forward as someone recommended by the Council he is not eligible for election unless the nomination is from six persons entitled to vote and he gives his consent to act. That is the interpretation of Article 55. The Council have not purported under this notice to deal with the recommendation of anyone within the meaning of Article 55. If the wording has upset members, will you please accept my apologies? Very often accountants and lawyers think alike and we agree on wording, but this time apparently, unfortunately, we do not. If you will refer to it again, what we said or what we intended to convey was that the Council could not recommend members to support the nomination, not that the Council would not recommend the nominee under Article 55. The two things are miles apart.

Mr. F. A. Roberts: If this is the only recommendation by the Council and assuming they oppose the nomination, it can still be put to the vote. I am only interested in the theoretical side, as I always am.

Mr. Gould: It has been moved and seconded, and we are now discussing it before it is put to the vote.

Mr. F. A. Roberts: I have in mind the fact that we are a company limited by guarantee. It seems to me rather an odd principle if the members of the Council, who are tantamount to directors, have a voice in appointing any one of their number. It is very anti-company procedure, is it not?

Mr. Gould: I have a recollection of Gordon Hotels and Mr. Jackson. I should not have thought it was anti-company procedure, by a long way.

Mr. W. P. Gill, F.S.A.A. (Lowestoft): There has been an interesting discussion but it is very unfortunate that Manchester cannot see their way to withdraw, even at this late hour. If they could I think it would be something which everyone in this room would appreciate. On the other hand, up to now we have not heard anybody get up and ask the Council if they cannot withdraw their policy and recommend him.

I am going to put this as a possible solution. When this notice went out several members in my area came to me and asked what it was all about. There is no doubt that throughout the whole of the Society a very large number of the 9,000 members have read into this notice unfortunately something possibly derogatory to Mr. Yates Lloyd.

Is there this final solution, that the Council should on this occasion withdraw their objection to Mr. Yates Lloyd, having established it formally—I have no doubt they will get the support of all members in the future—and having shown the method by which members of the Council have been elected in the past whether they could not now avoid causing great embarrassment to many of us here, who will not know which way to vote, having in mind loyalty to the Council and having in mind the slur which will undoubtedly fall upon Mr. Yates Lloyd if his appointment is defeated?

The President: I am just waiting to give further time to members, because I know this question is agitating the minds of members. I am very desirous we shall not cut it short. At the same time I do want you really to get this quite clear. The Council are standing on principles, not personalities—they have got nothing to do with it at all. If you have got a principle you have got to keep to it. As the constitution of the Council has been hitherto, it is part of the understanding that members of the Council are not delegates from the district societies; they are representatives of the members at large. I am sorry that has not really got right home. Anything which breaks away from that principle is something directly opposed to the interests of the Society, and I can only say to all of you here that, if you vote for this resolution, you are certainly voting against the principle of representation on the Council. I would put it further, and say it is a very grave step back. If you are desirous at this juncture of having the Council constituted of delegates from the various districts, it will then deal with all matters of the Society through the district societies and so forth, instead of the Council coming together without any influences at all excepting the good of the Society and having all the interests of members at heart—not necessarily those in a particular district society. Therefore, I do want really to impress upon you

that this is a matter of principle and nothing else. There is nothing behind it whatsoever.

I should have thought it was the simplest thing in the world that we keep to this matter of principle, and it is a serious matter for the Society that Manchester should feel unable to withdraw their resolution so as to give time for this further consideration after all the inquiries are completed. It does not say they have thrown anything away at all. It is as simple as ABC. If theirs is a good case it cannot lose by waiting. Therefore I put it to you. I just make that appeal to the members to stand by the Council who came to a decision on an important matter of principle.

I can do no more. I am sorry that it has reached this stage. I am very sorry indeed. I would have liked Manchester to have withdrawn and saved us from this situation, but if they feel they cannot, much as I would like them to, I am driven to asking that a vote shall now be taken. Is it too late? I do plead personally with Mr. Eaves, in the interests of the Society.

Mr. A. T. Eaves: I have not the slightest hope of there being any change, and in saying that I am not being influenced by my friend from Yorkshire. This is a matter which, as I have already said, has been under consideration for four or five months. As I have simply stated there was an approach by the Council, and we said we would like Mr. Lloyd to be a member of the Council.

I am at a loss to understand why you now take the attitude that this district representation is not recognised or supported by the Council, because when this casual vacancy arose—it was then a casual vacancy and the Council had the sole right to fill it—why then did they come to Manchester? The approach was by the Council to us, and we have simply stated the man we would like to represent us on the Council.

The President: I can answer that simply. We had no one at that moment from Manchester on our list, and it seemed to me a perfectly proper thing for me to consult informally with you to see if we could add people from Manchester to our list. It is as simple as that.

Mr. A. T. Eaves: There must have been something in district representation.

The President: It does not amount to that. You would rather go on, would you?

Mr. A. T. Eaves: Yes.

A Member: Before we do vote, in view of the implication which has been read into this letter which has been sent out by the Council, would the Council consider, after the vote has been taken, sending out to all members their reasons why the vote had to be taken?

The President: The whole of these proceedings, I may say, will be fully reported in ACCOUNTANCY.

Mr. P. F. Pierce, F.S.A.A. (Accrington): Before the vote is put can we be absolutely certain that the Manchester nomination is a district nomination, or is it a nomination by six independent members from Manchester? We are not quite clear about that. If it is a district nomination from Manchester then I should

feel, even though a close neighbour and very good friend of Mr. Eaves and Mr. Yates Lloyd, compelled to vote for the Council. On the other hand, if the nomination is not a district nomination, there must be something else behind this which the Council have not told us. First of all, could we get the one point clear? Is this a district nomination or is it a correct nomination made by six members independently in the ordinary way from Manchester? If the latter, what possible objection can the Council take to it?

Mr. C. R. Riddington: Could I suggest some compromise in this matter? I take it that in the first instance the nomination and the appointment were in the Manchester area. If that is so and this Council will accept it, will Manchester defer this matter for, say, three months to see whether a satisfactory nomination can be obtained from the Manchester area? If any other nomination is proposed then I suppose we can be called together to consider the application.

Mr. F. A. Roberts: I am very interested, but surely it is a casual vacancy. I cannot say, with respect to Mr. Gould, I agree a casual vacancy can remain casual after the next annual general meeting. We have no further nominations today, and therefore we have one name before us. Without discussing the merits of that gentleman the position seems to be—I may be wrong—it must go to the vote inevitably unless the nomination is withdrawn.

Mr. A. MacDonald, F.S.A.A. (Hull): We thought we had no representation of the Council whatever, and our district society thought they ought to be represented as a separate district society. We wrote the praises of one man. We thought the district society wanted someone to represent it; and we were told there was no such thing as pushing a district society representative on to the Council. The Members of the Council were a cabinet who took into account the whole of the Society, not just district societies. Similarly, our district society never lost because we did not press for one of our members to be on the Council as our representative. Therefore on those grounds I shall have to vote against the proposition.

Mr. C. J. B. Andrews, F.S.A.A. (Bournemouth): I hesitate to join in this discussion, but I must confess I have great sympathy with Mr. Yates Lloyd. I do feel this may have caused him embarrassment, but I believe it will serve the Society an excellent turn. There are others who have felt some suitable modification of the existing system might be thought out. Whether it would be to the good I do not know, but I do rather deprecate this business of it being considered a delegate matter, a district society matter. I happened to be the secretary of a district society for many years, and I am positive that the majority of district societies do not think they have a right to put someone on the Council as their delegate. I do really feel that is going a little bit away from the subject, but nevertheless, although I sympathise with Mr. Lloyd, I feel I would be compelled to vote against the resolution—although I feel Manchester may have done us a good service by bringing the matter to a head.

I should hate to serve on the Council if I was

elected on the method which will be adopted today. I do suggest that Mr. Lloyd is deserving of our very full sympathy; and I do suggest he would deserve much fuller sympathy if he were elected. I should never entertain it. I plead with him for his own good. I have known him many years. I sympathise with him in this position. We all know what a good chap he is. I think he will enhance his reputation if he withdraws.

A Member: I move that the question be now put.

A Member: It has been whispered to me by one of the few lady members present that it may be a very good idea if Manchester withdraws its resolution on the understanding that the Council make no appointment for a whole year, and that the whole matter is dealt with at the next annual meeting.

The President: I have no objection whatever in accepting that. If that meets the general wishes of the meeting, I would gladly accept it.

A Member: I move that a vote be taken.

The President: I am trying to avoid the possibility of conflict. That is the only excuse I am making.

A Member: I think that if the Council had, shall I say, killed this at the outset by making its own nomination, and risking a counter nomination from Manchester, it might have been made worse than it is. I think perhaps the Council did the right thing in seeking to defer matters. I strongly support that.

The President: Is Mr. Eaves prepared to accept that—deferment for a year to the next annual meeting? I am quite willing to give an undertaking, on behalf of the Council, that the Council will not fill the vacancy in the meantime.

Mr. A. T. Eaves: That I regard as the thin edge of the wedge to dispose of this proposal I have made. I have met my committee several times.

The President: We have done our utmost to try to find some half-way mark. I cannot do any more. We have the original resolution moved and seconded by Manchester.

Mr. A. V. Hussey: Sir, would you excuse me? May I have a final shot? In all my twenty-three years' experience we have never had this situation before. I feel that members of the Council have got to be safeguarded if we members feel for any reason there should be any risk whatsoever. There may not be; I do not know. Let us have just one more minute to make quite sure we cannot find a solution. I feel that my friends Mr. Eaves and Mr. Yates Lloyd are losing ground every minute this goes on. You have got a golden opportunity. Please take it.

Mr. A. T. Eaves: I do not quite see the point. If the probability is that Manchester is asked to fill this vacancy as a casual one, the probability is that we shall submit the same name. I do not believe in putting it off. I would rather face it today. I did not quite get the point, but Mr. Lloyd tells me it is a question of adjourning the matter.

We have it understood you will readily agree what has already been said by members in this meeting, that Mr. Lloyd is under a feeling of

grievance at the moment. May it be understood that the Council, not merely by a report of these proceedings in ACCOUNTANCY but by a letter to members, will put that right in the proper way by stating the reasons for opposing the nomination?

The President: If I say to you I will take that to the Council for their consideration to see if we can meet your wishes fully—I do not mean that evasively—will that do? I cannot commit the Council now.

Mr. A. T. Eaves: No, it will not quite. I have another point. May we have your assurance that Mr. Yates Lloyd's nomination is still in the field? You are not making that condition.

The President: Most assuredly, without any question of that, unreservedly.

Mr. A. T. Eaves: We agree to the adjournment.

(Prolonged applause.)

The President: Thank you very much indeed. May I take it that the resolution is definitely withdrawn, and that I need not put it to the meeting—on that we have agreed?

Mr. A. T. Eaves: The proposer and seconder withdraw the resolution, and Mr. Yates Lloyd agrees.

The President: There is a bit of the agenda left! As a matter of fact it is one of the most important items on the agenda! It is item 9—remuneration of the auditors.

Mr. T. H. Nicholson, F.S.A.A. (London): Mr. President, I beg to move:

That the fee of Mr. Stanley I. Wallis, Incorporated Accountant, Nottingham, who is willing to continue in office as Auditor for a further year, be fixed at one hundred guineas for such year, travelling expenses to be paid in addition.

That the fee of Mr. James A. Allen, Incorporated Accountant, London, who is willing to continue in office as Auditor for a further year, be fixed at one hundred guineas for such year.

Mr. C. H. Foxon, F.S.A.A. (Nottingham): I would like to second the resolution proposed by Mr. Nicholson, and also I think we should bear in mind that our thanks are due to the auditors for their continued services to the Society.

The President: Is that agreed? *(Agreed.)*

Sir Thomas Keens, F.S.A.A. (Luton): I am asked to move a vote of thanks to the Chairman for presiding at this meeting. I am sure you do not want to hear any words from me. He has been long suffering, and it is really amazing how he has stuck to it, determined to get something out of the warring elements, and he has succeeded. As a mere thank-offering to him for his patience may I propose a vote of thanks, and put it to the meeting? *(Carried, with applause.)*

The President: Thank you very much, Sir Thomas, ladies and gentlemen. I am indeed very grateful to Manchester for having taken that step. You can quite imagine it is disturbing to have a conflict at our annual general meeting, and I am most grateful to the other members who made the pleas for peace. I am most grateful, too, for the considerable strength and support you have all given me this afternoon.

SIXTY-EIGHTH ANNUAL REPORT*

HER LATE MAJESTY QUEEN MARY

AN ADDRESS WAS PRESENTED TO HER MAJESTY The Queen expressing the profound grief and sympathy of members of the Society on the death of Her Majesty Queen Mary.

The Address recorded the deep affection in which Her Late Majesty was universally held and paid grateful tribute to her devoted and unselfish service to the peoples of the British Commonwealth.

PRESIDENT AND VICE-PRESIDENT

At a meeting of the Council held on Wednesday, May 21, 1952, Mr. C. Percy Barrowcliff, F.S.A.A., Middlesbrough, and Mr. Bertram Nelson, F.S.A.A., J.P., Liverpool, were re-elected President and Vice-President of the Society respectively for the ensuing year.

THE LATE MR. JAMES PATERSON

The Council records with deep regret the death at the age of ninety of Mr. James Paterson, F.S.A.A., who had been a member of the Council and Honorary Secretary of the Scottish Branch since 1906.

Mr. Paterson was about to celebrate his seventieth year in the profession, having been admitted to membership of the Scottish Institute of Accountants in 1883. He qualified as an Incorporated Accountant in 1897, two years before the amalgamation of the Scottish Institute with the Scottish Branch of the Society.

Throughout his career Mr. Paterson rendered distinguished service to the Society and to the Scottish Branch, and he will long be remembered with affection by Incorporated Accountants and students of all ages.

COUNCIL RESIGNATION

The Council reports with regret the resignation of Mr. Henry Smith, F.S.A.A., Manchester, who had been a member of the Council since 1947.

VICE-PRESIDENT'S BADGE

The Council has accepted with gratitude the gift of a badge for the use of the Vice-President of the Society from the Incorporated Accountants' District Society of Northern Ireland. The badge was formally presented at a dinner in Belfast on Friday, November 21, 1952.

* We reproduce extracts from the annual report of the Society of Incorporated Accountants, presented at the annual general meeting held on May 19, 1953.

MEMBERSHIP

	Fellows	Associates	Hon. Members	Total
As at December 31, 1950	1,936	6,850	1	8,787
As at December 31, 1951	1,968	7,235	1	9,204
Add:				
New Members and Readmissions	3	44 ¹		444
Transferred from Associateship	80			80
Transferred from Fellowship			1	1
Associates from Fellows		2		2
	2,051	7,678	2	9,731
Deduct:				
Transferred to Fellowship		80		80
Resignations, deaths and other causes	55	75		130
Transferred to Honorary Membership	1			1
Fellows to Associates	2			2
As at December 31, 1952	1,993	7,523	2	9,518
Members in Practice	1,611	1,795		3,406
Members not in Practice	382	5,728	2	6,112
	1,993	7,523	2	9,518

HONORARY MEMBERS

Sir Harold Howitt, G.B.E., D.S.O., M.C., F.C.A., and Mr. George O. May, F.C.A., C.P.A., were elected Honorary Members of the Society on March 18, 1953, in recognition of their outstanding contributions to International Congresses on Accounting and to the profession in general.

Sir Harold Howitt is a Past President of the Institute of Chartered Accountants in England and Wales and Mr. May is a former Vice-President of the American Institute of Accountants.

DISCIPLINARY COMMITTEE

During 1952 one member was excluded from the Society under the provisions of Articles 34 and 35 and three members were censured by the Disciplinary Committee under the provisions of Article 32.

BRANCHES AND DISTRICT SOCIETIES

The annual conference of representatives of Branches and District Societies and members of the Council was held at Incorporated Accountants' Hall on May 22, 1952.

Once again full programmes of lectures and discussions were arranged for members and students, with the emphasis upon the professional education of the latter. Week-end residential courses for Intermediate and Final examination candidates were organised by the Hull and Manchester District Societies, and the London Students' Society held two residential courses at Ashridge in April and September, 1952.

During the year members of the Society living in the Cambridge area were transferred to the East Anglia District Society and the boundaries of the London District Society were amended accordingly. The Council also approved a proposal that the District Society of Cumberland and Westmorland should be disbanded and that all members of the Society living in the two counties should henceforth belong either to the Newcastle upon Tyne or to the North Lancashire District Society. A further rearrangement affected members of the London Students' Society domiciled in Sussex, who now belong to the newly formed Students' Society of the Sussex District Society.

In October, 1952, the Diamond Jubilee of the Birmingham and District Society was celebrated by a dinner attended by the Lord Mayor and Lady Mayoress of Birmingham and by other distinguished guests.

GENERAL CERTIFICATE OF EDUCATION

The Council has revised the regulations governing exemption from the Preliminary Examination under the General Certificate of Education. The revised requirements are:

- The certificate must include a pass at Ordinary level in English Language; Mathematics (not Arithmetic alone); and three other subjects, two of which must be chosen from (1) History, (2) Geography, (3) English Literature, (4) Latin or Greek, (5) a modern European language, (6) a natural science; or

- (b) If either English or English Literature or Mathematics is taken at an advanced level, the certificate need only contain English or English Literature; Mathematics (not Arithmetic alone); and two other subjects.

It will be observed that it is no longer compulsory for a certificate to contain a pass in History or Geography.

DEFERMENT OF NATIONAL SERVICE

During 1952 the Ministry of Labour and National Service made important changes in the regulations governing national service. The new regulations, as they apply to candidates for the Society's examinations, are detailed below.*

EXAMINATIONS

479 candidates passed the Final Examination during 1952 and thereby qualified for admission as Associate members, subject to satisfactory completion of articles or bye-law service. The following table gives the detailed results of the 1952 examinations:

PRELIMINARY	
Sat	Passed
382	139—36 per cent.
INTERMEDIATE	
Sat	Passed
1,513	761—50 per cent.
FINAL	
Part I only	
Sat	Passed
1,189	540—45 per cent.
Part II only	
Sat	Passed
304	245—80 per cent.
Parts I & II at one sitting	
Sat	Passed
489	142—29 per cent.

Of the 489 candidates who sat for Parts I and II of the Final Examination together 197 failed both Parts, while 61 passed Part I only and 89 Part II only.

EXAMINATION HONOURS

The Gold Medal for 1952 was awarded to Joseph Askew Hedges, Canterbury, and the Silver Medal to Peter John Gibson, London.

REGISTRATION OF BYE-LAW CANDIDATES

The Council has issued regulations governing the registration of bye-law candidates. As from July 1, 1953, a candidate who seeks admission to the examinations under Bye-law 10 must make application to the

* Not reproduced owing to pressure on space. The regulations were given in ACCOUNTANCY for June, 1952 (page 187.)

Society for registration as a bye-law candidate. An application for registration will not be accepted until the candidate has reached the age of 17½ years and has passed or obtained exemption from the Preliminary Examination.

Registration by itself will not give an automatic right of admission to the examinations, and a bye-law candidate will not be permitted to sit for the examinations until he has completed the following periods of continuous and approved practical training since the date of registration:

Intermediate	...	...	3 years
Final Part I	...	...	5 years
Final: Part II or Parts I and II together	...	...	6 years

In the case of graduates of any of the recognised universities in the United Kingdom of Great Britain and Northern Ireland, and in Eire, the Council may, at its discretion, reduce the training periods specified above by not more than two years.

An application for registration as a bye-law candidate must be accompanied by a certificate of service from the employer. Subsequent applications to sit for the Intermediate and Final Examinations must also be accompanied by certificates of service.

A bye-law candidate will be required to notify the Society of every change in employment during his qualifying service. Continuance of registration will be dependent upon the Council being satisfied that the candidate is receiving training in accordance with the requirements of the Society, and a candidate may apply to the Society in order to assure himself in advance that any proposed change in employment will not affect registration.

Accountancy clerks who wish to proceed to the Society's Examinations, but who have not yet either sat for or made application for exemption from the Preliminary Examination, are advised to do so before July 1, 1953. Failure to do so will nullify any previous service in the profession for the purpose of calculating the six years' service required under the bye-laws.

SIXTH INTERNATIONAL CONGRESS ON ACCOUNTING

The Sixth International Congress on Accounting was held in London from June 16 to 20, 1952. Sir Harold Howitt, G.B.E., D.S.O., M.C., F.C.A., and Mr. C. Percy Barrowcliff, F.S.A.A., were respectively President and Vice-President of the Congress. The Society was also represented on the Congress Council by Mr. A. Stuart Allen, F.S.A.A. (Vice-Chairman), Mr. Bertram Nelson, F.S.A.A. (Chairman of the Papers and Publications Committee) and Sir Frederick Alban, C.B.E., F.S.A.A.

The Congress, which was attended by delegates and visitors from thirty-six countries, proved as successful as the Fourth International Congress held in London in 1933. Thirty-five papers were presented dealing with the five subjects for discussion. Mr. Barrowcliff contributed a paper on "Fluctuating Price Levels in Relation to Accounts" which provoked widespread interest and discussion.

A number of social functions also took place, including a Banquet at Guildhall on June 18, and a Ball at the Savoy Hotel on the final evening. The speakers at the Banquet were:

His Grace the Lord Archbishop of Canterbury
The Right Hon. the Lord Mayor of London (Sir Leslie Boyce, Bart., K.B.E.)
The Right Hon. the Lord Radcliffe, P.C., G.B.E., Q.C.
Sir Harold Howitt, G.B.E., D.S.O., M.C., F.C.A.
Mr. C. Percy Barrowcliff, F.S.A.A.
Monsieur Max André (France)
Mr. H. Garton Ash, O.B.E., M.C., F.C.A.
Mr. L. van Essen (Netherlands)
Mr. J. William Hope, C.P.A. (United States of America)

The Congress afforded the Council of the Society an exceptional opportunity of entertaining a large number of overseas delegates and visitors, and several luncheon and dinner parties were held at Incorporated Accountants' Hall between June 16 and 20.

The Council has expressed its warm thanks to Sir Harold Howitt for so graciously discharging his responsibilities as President of the Congress, to Mr. Barrowcliff for the admirable manner in which, in his capacity as Vice-President, he supported Sir Harold Howitt, and to Mr. Alan S. MacIver, M.C., B.A., and the other members of the Congress Secretariat for their work in making the Congress such an outstanding success.

A complete report of the Congress proceedings has been published in book form and copies (price £2 2s. each) may be obtained from the Society.

VISIT OF THE PRESIDENT TO CANADA AND THE UNITED STATES

At the invitation of the Canadian Institute of Chartered Accountants and the American Institute of Accountants the President, accompanied by Mrs. Barrowcliff, visited Canada and the United States of America during August and September, 1952.

While in Canada the President attended the annual meeting of the Canadian Institute of Chartered Accountants. The meeting coincided with the fiftieth anniversary of the foundation of the Institute, and at a luncheon to mark the occasion the

President was the guest speaker. Mr. Barrowcliff also attended other official functions both in Quebec City and in Montreal, where both he and Mrs. Barrowcliff had the pleasure of meeting members of the Canadian Branch of the Society, from whom they received a very cordial welcome.

The President was unfortunately unable to prolong his tour abroad to allow him to attend the annual conference of the American Institute, which was held in Texas in October, but he and Mrs. Barrowcliff were entertained in New York by the Council of that Institute and received much private hospitality from various officers of the Institute. An account of the President's tour was published in the November, 1952, issue of ACCOUNTANCY.

The Council has expressed its warm thanks to the Canadian Institute of Chartered Accountants and the American Institute of Accountants and to all those who showed such great kindness to the President and Mrs. Barrowcliff.

NETHERLANDS INSTITUTE OF ACCOUNTANTS
Mr. Bertram Nelson, F.S.A.A., Vice-President of the Society, represented the Society at the annual conference of the Netherlands Institute of Accountants in Amsterdam on September 20, 1952.

The business sessions of the conference were devoted to an examination of certain management accounting problems, and at the banquet which followed Mr. Nelson was called upon to reply to the toast of the British delegation.

OXFORD COURSE

A course on management accounting, held at Balliol College, Oxford, from September 26 to 30, 1952, was attended by 107 members.

Papers were presented by :—

Mr. P. G. James, B.COM., F.S.A.A.—“ Training staff for the effective operation of a system of Management Accounting.”

Mr. W. F. Edwards, F.S.A.A.—“ Budgetary and Financial Control.”

Mr. P. N. Wallis, A.S.A.A.—“ Management cost problems in the small business.”

Mr. H. W. Broad, A.S.A.A., Mr. C. E. Watson, A.S.A.A., and Mr. J. R. Simpson, C.B.—“ Running an Accountancy Department.”

Prof. F. Sewell Bray, F.C.A., F.S.A.A.—“ Accounting Form.”

In addition addresses were delivered by Sir Henry Clay on “ The Specialist in practical affairs ” and by Mr. Norman G. Lancaster, A.C.A., on “ Costing.”

ACCOUNTING IMPLICATIONS OF CHANGING MONEY VALUES

In the autumn of 1951 the Council set up a Committee to consider the accounting implications of changing money values. The Committee included leading representatives of industry, academic interest and finance, as well as practising members of the profession. Reference is made elsewhere in this Report to the paper presented by the President on this subject at the Sixth International Congress on Accounting.

In May 1952, the Society received an invitation from the Institute of Chartered Accountants in England and Wales suggesting that it should join that Institute and other professional accounting bodies in studying the practical problems entailed. The Council of the Society accepted this invitation and appointed the President and Professor F. Sewell Bray as its representatives in the ensuing discussions.

ACCOUNTANTS' JOINT PARLIAMENTARY COMMITTEE

The Accountants' Joint Parliamentary Committee continued its task of examining all parliamentary measures relating to the qualification and status of accountants. In legislation involving the appointment of independent auditors, Parliament has continued to adopt a form of audit clause which in effect prescribes membership of one or more of the bodies represented on the Joint Committee as the qualification essential for appointment as auditor.

SHARES OF NO PAR VALUE

The Council was invited to submit a memorandum to the Committee appointed by the President of the Board of Trade under the Chairmanship of Mr. Montagu Gedge, Q.C., to consider the subject of shares of no par value. [The submission of the Council was published in ACCOUNTANCY for May (pages 141-144).—Editor, ACCOUNTANCY.]

THE APPLICATION OF STATISTICAL TECHNIQUES TO ACCOUNTING DATA

In the 1951 Report reference was made to the appointment of a joint committee of representatives of the Council of the Society and of the Council of the Royal Statistical Society to study the application of statistical techniques to accounting interpretations and management inferences.

During the past year the committee has examined a number of statistical methods with accounting relevance ; for example, sampling methods, estimation of variables and the measurement of relationships and predictions.

CO-ORDINATION

A communication signed by the Presidents of the bodies represented on the Co-ordinating Committee was sent in May 1952, to the President of the Board of Trade suggesting that Section 161 of the Companies Act, 1948, should be amended to provide :

- (1) that exempt private companies should be required to have their accounts audited by a member of a body of accountants recognised under the Act;
- (2) that the accountancy bodies recognised by the Board of Trade under the Act should be formally specified in an amending Act;
- (3) that there should be saving clauses to protect all persons in practice on an appointed day and that the rights of those who have obtained equivalent qualifications outside the United Kingdom should also be safeguarded.

ACCOUNTANCY WORK FOR GOVERNMENT DEPARTMENTS

Agreement has been reached with Her Majesty's Treasury regarding a revised scale of fees payable to practising accountants for accounting work carried out for Government Departments. Details of the revised scale, which operates retrospectively from April 1, 1952, can be obtained from the Secretary.

The negotiations with Her Majesty's Treasury were conducted on behalf of the profession by Sir Harold Howitt and Mr. Barrowcliff.

THE STAMP-MARTIN CHAIR OF ACCOUNTING

In November, 1952, the Council announced the foundation of the Stamp-Martin Chair of Accounting tenable at Incorporated Accountants' Hall. This is the first Chair of its kind to be sponsored by a professional body of accountants and commemorates both the special interest in accounting research shown by the late Lord Stamp, an Honorary Member of the Society, and the foundation of the Society by the late Sir James Martin.

As with other Chairs not coming under the aegis of a University, the status of the Stamp-Martin Professorship will be safeguarded to ensure that its standing shall be equivalent to that of a University Chair. Although it will be financed by the Society alone, neither the activities connected with the Chair nor election to it will be confined to Incorporated Accountants.

After consulting representative academic opinion the Council appointed Mr. Frank Sewell Bray, F.C.A., F.S.A.A., a Senior

Nuffield Research Fellow in the Department of Applied Economics in the University of Cambridge, as the first Stamp-Martin Professor.

INCORPORATED ACCOUNTANTS' RESEARCH COMMITTEE

In June 1952, Mr. Bertram Nelson, F.S.A.A., Vice-President of the Society and a founder-member of the Committee, retired from the office of Chairman of the Committee which he had held since November 1942. The progress made during the past ten years owes everything to his constancy of purpose, and it is fortunate that he is still continuing as a member of the Committee. Professor F. Sewell Bray was appointed Chairman in succession to Mr. Nelson.

During the year booklets were published in the Practice Notes Series, the first of which "The Valuation of Goodwill," dealt with the sale and purchase of a business, professional goodwill and the valuation of unquoted shares for probate purposes. The second booklet, "The Appointment and Remuneration of Auditors under the Companies Act, 1948," represented an interpretation of those conditions which govern the appointment and remuneration of auditors under the Act.

In co-operation with the University College of the South-West, the Institute of Municipal Treasurers and Accountants and the County Accountants' Association, the Committee continued its study of Local Government finances, and the fourth report of this study group entitled "County Districts" was published in *Accounting Research*, Vol. III, Part 3. The fifth and final report has now been completed and was published in *Accounting Research*, Vol. IV, Part I.

The Committee has maintained liaison with universities and accounting bodies overseas. A register of international research in accounting studies is in course of preparation and will be published during 1953. Subsequent issues will be published as occasion requires to keep the register up to date.

A small group of members is studying the accounting contribution to the measurement of productive efficiency by means of a special investigation into the brick industry. This investigation has for its object the ascertainment of a system of common costs so designed as to provide information on the basis of the account for operating activity included in the preliminary report published in 1951.

New subjects undertaken by the Committee and by members working under its aegis include "Fraud in Accounts," "Internal Auditing," "The Provision and

Maintenance of Working Capital in Periods of Fluctuating Values" and "Stock Valuation." The work on "Accounting Ratios," "Periodical Statements and Returns" and "Costing in an Accountant's Office" is proceeding, and the results will be published in due course in the form of Practice Notes.

Accountancy

The Society's monthly journal ACCOUNTANCY continues to advance in standing and circulation. A new feature in its columns, "Readers' Points and Queries," has established itself as a forum in which readers can make known for the benefit of others points of interest in accounting, taxation and allied subjects, and can post their own queries, to which editorial replies are given.

In other ways already familiar ACCOUNTANCY maintained its service to the profession. During 1952 it published special reports of the Sixth International Congress on Accounting and recorded the proceedings before the Royal Commission on Taxation, the Society's course on management accounting, and many other events of interest to accountants. Each issue contained articles and notes on taxation, accounting and finance, reviews of recent publications, and reports of tax and other cases decided in the Courts.

Accounting Research

Accounting Research, which is published quarterly by the Cambridge University Press, has maintained its international status as a journal devoted to theoretical and practical developments in accounting. It is under the joint editorship of Professor F. Sewell Bray and Mr. Leo T. Little.

The following articles appeared during the year 1952: *The Economic "Facts of Life" as shown in the correlation of Accounting, Economics and Law*, by James L. Dohr; *Design for the Accounts of Society*, by F. Sewell Bray; *The University Contribution to Education in Accountancy*, by Kenneth F. Byrd; *Le Plan Comptable International*, by Mons. Mommen; *Measurement of National Income and Construction of Social Accounts for an industrially backward Economy—II*, by V. M. Dandekar; *Unsettled Territory*, by Leo T. Little; *Solution of Funds Statement Problems—History and Proposed new Method*, by Robert H. Gregory and Edward L. Wallace; *A Distinction between "Profit" and "Income,"* by Louis Goldberg; *Profits of the Year—or of last Year?* by Harry Norris; *A Theory of Cost and Cost Accounting—I*, by G. D. de Swardt; *Accounting Research—an International Function*, by A. A. Garrett; *Some Business Applications of Marginal Analysis, with particular reference to Inventory Control*, by T. M. Whitin; *A Short History of Tallies*, by R. Robert; *An Alterna-*

tive Presentation of Social Accounts, by E. Fuerst; *A Theory of Cost and Cost Accounting—II*, by G. D. de Swardt; *The Effects of the Local Government Act, 1948, and other recent Legislation on the Finances of Local Authorities*, by a Research Working Party; *The Use of Accountancy Terms and Concepts by Economists*, by R. G. Tress; *The Frequency and Importance of Errors in Invoices received*, by Robert H. Gregory; *Recent Developments in Internal Auditing*, by H. C. M. Cobb; *Notes on the Calculation of Business Profits during the present Inflationary Period in France*, by John Hammond; *Flow Charts and Diagrams of Office Systems*, by P. N. Wallis.

AUDITORS

Mr. James A. Allen, F.S.A.A., and Mr. Stanley I. Wallis, F.S.A.A., have indicated their willingness to continue in office as Auditors.

ACCOUNTS

The audited accounts of the Society for 1952 are annexed.

SUMMARY

of Report of South African Branches

Public Accountants' and Auditors' Act, 1951 (South Africa)

Up to December 31, 1952, the South African Public Accountants' and Auditors' Board had registered approximately 1,500 persons as Accountants and auditors under the Act. Of this number 261 were Incorporated Accountants, representing 42 per cent. of the members of the Society in the Union and South West Africa.

The Society is represented on the Board by Mr. N. Glen, F.S.A.A., of Johannesburg, with Mr. A. R. Butcher, F.S.A.A., of Durban, as alternate. A number of the other members of the Board are also Incorporated Accountants.

The Society's nominee has been appointed to the Executive, Examinations and Disciplinary committees, with Mr. Butcher as alternate on the Executive and Disciplinary committees and Mr. R. E. Grieseson, M.B.E., F.S.A.A., of Johannesburg as alternate on the Examinations Committee.

In addition to the committees appointed by the Board an advisory committee was set up by the Minister under the terms of Section 13 (1) of the Act. Two members of this, although not nominated by the Society, were Incorporated Accountants, and the committee had the unenviable task of deciding which applications for registration made under the terms of Section 23 (3) (f) of the Act were to be recommended and which to be rejected.

Apart from the more routine matters of registering Accountants and Auditors and Articles, dealing with applications under

Section 30 (3) of the Act and with correspondence from various Government Departments and others, the Board and its committees have given much attention during 1952 to the following matters:

(a) Regulations, Codes, etc.:—

Regulations, codes, etc., drafted by Committees and amended and approved by the Board, have now been considered both by the Board's Legal Advisers and by the Government Law Advisers, and either have reached their final form or are near that stage. It is hoped that these documents will be available during the first half of 1953 for the use of persons on the register. Separate regulations, codes, etc., have been drawn up as follows:

- (i) Regulations for Articled Clerks;
- (ii) Examination Regulations;

(iii) Unprofessional Conduct, Misconduct and Enquiries;

(iv) Code of Professional Etiquette.

(b) Examination Syllabuses:—

Matters considered included the number and scope of the examinations to be held as well as the type of subjects and the syllabus for each particular subject. For the present the Universities and South African Accountants' Societies' General Examining Board is conducting examinations on behalf of the Board, having previously performed this function along the same lines for the Chartered Societies. An additional examination has had to be provided for, namely, the special examination in Law required under the terms of Section 25 (5) (a) of the Act. Three courses have been prescribed for this examination covering the General Principles of the

Mercantile Law of South Africa, Union Company Law and Income Tax Law and Practice.

(c) Recognition of organised bodies of Accountants outside the Union for the purpose of certain Sections of the Act:—

The Board has recognised the Society for the purposes of Sections 23 (3) (c), 24 (3) (b), 25 (5) (a), 30 (1) (e) and 30 (2) (a).

(d) Prohibition of the sharing of profits with persons practising outside the Union and of practising under the name of a firm which includes that of a person who is not or was not ordinarily resident in the Union:

This issue is raised by Section 30 of the Act, which also suspends the prohibition until October 31, 1956. The Minister has directed the Board to make investigations and report to him.

BALANCE SHEET, as at December 31, 1952

1951 £		£	£	1951 £		£	£
100,000	ACCUMULATED FUND—				FIXED ASSETS—		
609	Balance at December 31, 1948	100,000			FREEHOLD PROPERTY		
	Contributions towards Restoration of Hall	—			Incorporated Accountants' Hall, at cost 100,954		
					Less Amount written off	954	
8,126	INCOME AND EXPENDITURE ACCOUNT—					100,000	
	Balance	2,535			Add War Damage Restoration—Proportion relating to improvements and additions, at cost less members' contributions of £609	7,107	
108,735		102,535		101,437		107,107	
30,000	5 PER CENT. MORTGAGE DEBENTURES ..	30,000			FURNITURE AND FITTINGS—		
					Book Value at December 31, 1931, with additions at cost since that date ..	11,368	
481	PROVISIONS—				Less: Accumulated Depreciation ..	5,292	
2,750	Research Committee	1,100			War Damage Compensation ..	3,256	
2,600	List of Members 1953	—				8,548	2,820
	International Congress on Accounting 1952 ..	—					
				2,916	LIBRARY—		
9,511	CURRENT LIABILITIES—			300	Book Value at December 31, 1947 ..	300	
4,920	Creditors and Accrued Charges	13,928		104,653		110,227	
9,903	Subscriptions and Fees received in Advance ..	1,771			INVESTMENTS—		
	Bank Overdraft	—			Government Stocks at cost	12,355	
		15,699			(Market Value at December 31, 1952, £11,844)		
168,900		149,334			Mortgage Debentures of the Society (Gift) ..	300	
				12,655		12,655	
	SPECIAL PRIZE TRUST FUNDS—				CURRENT ASSETS—		
1,070	Henry Morgan Memorial	529		395	Sundry Stocks	492	
	Arthur E. Piggott (Manchester) Memorial ..	547	1,076	3,438	Debtors and Prepayments	4,499	
					War Damage Restoration: Balance of ..		
				45,750	Account. (See Note)	14,589	
				2,009	Cash at Bank and in Hand	6,872	
						26,452	
				168,900		149,334	
					NOTE: The amount recoverable is subject to agreement with the War Damage Commission.		
					SPECIAL PRIZE TRUST FUNDS—		
					Henry Morgan Memorial—		
					£500 2½ per cent. Treasury Stock ..	500	
					Arthur E. Piggott (Manchester) Memorial—		
					£500 3 per cent. Savings Bonds, 1965-75 ..	500	
					Cash at Bank	76	
				1,070		1,076	
£169,970		£150,410		£169,970		£150,410	

INCOME AND EXPENDITURE ACCOUNT for the year ended December 31, 1952.

1951				1951			
£	£		£	£		£	£
ESTABLISHMENT CHARGES—				GENERAL INCOME—			
273		Rent and Rates: Milford Lane	—	37,402		Subscriptions	38,002
363		Rent and Rates: Essex Street	329	5,975		Entrance Fees	5,037
859		Rates: Hall	1,362	679		Sundry Fees and Receipts	654
2,023		Heating, Cleaning and Lighting	2,532	110		Hiring Fees of Hall	262
329		Insurances	327	—	44,166		43,955
516		Repairs and Renewals	282			CONTRIBUTIONS in respect of Head Office	
		Depreciation—Furniture and Fittings				Administrative Services—	
507		(Freehold Property, nil)	470	400		London and District Society	400
—	4,870		—	750		London Students' Society	750
			5,302	—	1,150		1,150
ADMINISTRATION EXPENSES—				INTEREST RECEIVABLE—			
14,037		Salaries and Pension Fund	15,239	574		Investments—Gross	473
1,137		Travelling Expenses	1,480				
3,311		Printing and Stationery	2,685	45,890		EXAMINATION FEES	45,578
1,024		Stamps, Telegrams and Telephone	1,152	16,852		"ACCOUNTANCY"—Income	16,610
1,352		Publication of Reports and Meetings ..	903	—		Less Expenditure	16,263
476		Legal and Parliamentary Expenses	445				347
236		Audit Fees and Expenses	231			EXCESS of expenditure over Income—	
489		Miscellaneous Expenses	458			carried down	1,216
—	22,062		—				
			22,593				
GENERAL EXPENSES—							
55		Chambers of Commerce Subscriptions ..	73				
23		Representation Abroad	839				
1,146		Entertainment Expenses	1,465				
3,621		Biennial List of Members (Proportion)	3,362				
920		Reopening of Hall (Receptions and Ex-	—				
		penses)	—				
358		Dublin Conference	—				
		International Congress on Accounting					
1,500		1952 (Proportion)	2,802				
—		Donation to King George VI Memorial					
—		Fund	263				
—	7,623		—				
			8,804				
EDUCATIONAL AND RESEARCH EXPENSES—							
1,000		Grant to Research Committee	1,000				
150		Grant to "Students' Telephone"	100				
559		Library Additions	617				
37		Universities Scheme	36				
352		Oxford Course (Cambridge)	88				
—		Stamp-Martin Chair of Accounting	83				
—		Circularisation of Leaflets	161				
—	2,098		—				
			2,085				
BRANCHES AND DISTRICT SOCIETIES—							
8,896		Grants and Panel of Lecturers' Expenses	8,083				
FINANCIAL CHARGES AND TAXATION—							
1,500		Debenture Interest—Gross	1,500				
101		Bank Interest	96				
—		Banking Charges	250				
325		Income Tax 1952-53	177				
—		Corporation Duty 1952-53	41				
—	1,926		—				
			2,064				
47,475			48,931				
13,195		EXAMINATION EXPENSES AND PRIZES ..	15,192				
1,374		"ACCOUNTANCY"—Excess of Expenditure	—				
		over Income	—				
		Excess of Income over Expenditure—					
698		Carried down	—				
—			—				
£62,742			£64,123	£62,742		£64,123	
		EXCESS of Expenditure over Income for					
—		Year	1,216				
		WAR DAMAGE RESTORATION—					
		Proportion relating to repairs not recov-					
		erable from the War Damage Com-					
		mission	4,375				
		Staff Pension Fund—Adjustment of Actuarial					
1,767		Deficiency	—				
8,126		BALANCE carried forward to Balance Sheet	2,535				
—			2,535				
£9,893			£8,126	£9,893		£8,126	

REPORT OF THE AUDITORS TO THE MEMBERS

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Society so far as appears from our examination of those books. We have examined the annexed Balance Sheet and Income and Expenditure Account which are in agreement with the books of account. In our opinion and to the best of our information and according to the explanations given to us the said accounts give the information required by the Companies Act, 1948, in the manner so required and the Balance Sheet gives a true and fair view of the state of the Society's affairs as at December 31, 1952, and the Income and Expenditure Account gives a true and fair view of the income and expenditure for the year ended on that date.

STANLEY WALLIS,
JAMES A. ALLEN,
Incorporated Accountants,
Auditors.

London, April 14, 1953.

COUNCIL MEETINGS

APRIL 23, 1953

Present: Mr. C. Percy Barrowcliff (President), Mr. Bertram Nelson (Vice-President), Sir Frederick Alban, Mr. F. V. Arnold, Mr. Edward Baldry, Mr. R. Wilson Bartlett, Mr. H. J. Bicker, Professor F. Sewell Bray, Mr. Andrew Brodie, Mr. E. Cassleton Elliott, Mr. W. H. Fox, Mr. Hugh O. Johnson, Sir Thomas Keens, Mr. F. A. Prior, Miss P. E. M. Ridgway, Mr. P. G. S. Ritchie, Mr. Joseph Stephenson, Mr. Percy Toothill and Mr. Richard A. Witty with the Secretary and the Deputy Secretary.

HER LATE MAJESTY QUEEN MARY

The Council confirmed the action taken as a result of correspondence with individual members in submitting the following address to Her Majesty The Queen:

Most Gracious Sovereign

The President, Vice-President and Council of the Society of Incorporated Accountants and Auditors on behalf of all members of the Society with humble duty desire to convey to Your Majesty their profound grief and sympathy in the great sorrow which Your Majesty has sustained by the death of Her Majesty Queen Mary.

They respectfully desire to record the deep affection in which Her Majesty Queen Mary was universally held and to pay grateful tribute to her devoted and unselfish service to all peoples of Your Majesty's realms.

SCOTTISH BRANCH

The Council received a report of a meeting between the President and senior members of the Council of the Scottish Branch and of a recent meeting of the Scottish Council when Scottish representation on the London Council had been discussed. It was agreed that Article 40 (a) should not be amended for the time being, and the Council noted with approval that the Scottish Council would nominate Mr. Ritchie and Mr. Festus Moffat as their representatives on the Council for the ensuing year.

The Council recorded its appreciation to Mr. Ritchie for the help which he had given the President in reviewing the future policy of the Society in Scotland.

It is regretted that the report on page 168 of the issue of *ACCOUNTANCY* for May 1953 of the previous meeting of the Council of the Society by inadvertence omitted the date of the meeting, March 18.

A REPORT OF THE COUNCIL MEETING HELD in the morning of May 19 will appear in our next issue.

A second meeting was held on May 19 after the Society's annual general meeting.

PRESIDENT AND VICE-PRESIDENT

At the second meeting Mr. C. Percy Barrowcliff was unanimously re-elected President, and Mr. W. Bertram Nelson Vice-President.

DISCIPLINARY COMMITTEE

At the second meeting the Disciplinary Committee was elected by ballot, in accordance with the Society's Articles.

INCORPORATED ACCOUNTANTS' DINNER

A DINNER WAS GIVEN AT INCORPORATED Accountants' Hall, Victoria Embankment, London, W.C.2, on Monday, May 18, the eve of the Society's annual general meeting. The President of the Society, Mr. C. Percy Barrowcliff, was in the chair.

Among the guests were:

Sir Eric Bamford, K.C.B., K.B.E., C.M.G., Chairman, Board of Inland Revenue; Air Chief Marshal Sir Frederick Bowhill, G.B.E., K.C.B., C.M.G., D.S.O.; Mr. Montagu Gedge, Q.C.; Sir Harold Howitt, G.B.E., D.S.O., M.C.; The Rt. Hon. Lord Latham, President, Association of Certified and Corporate Accountants; Mr. Derek du Pré (Editor, *The Accountant*); Mr. T. B. Robson, M.B.E., President, Institute of Chartered Accountants in England and Wales; The Rt. Hon. Lord Saltoun, M.C.; Mr. J. E. S. Simon, Q.C., M.P. for Middlesbrough (West); Mr. F. Heyworth Talbot, Q.C.; Mr. J. Millard Tucker, Q.C.; Sir Godfrey Russell Vick, Q.C. and Sir Cecil Wakeley, B.T., K.B.E., C.B., President, Royal College of Surgeons.

The following members of the Council of the Society were present:

Mr. C. Percy Barrowcliff (President); Mr. Bertram Nelson (Vice-President); Sir Frederick Alban, G.B.E.; Mr. A. Stuart Allen; Mr. F. V. Arnold; Mr. Edward Baldry; Mr. R. Wilson Bartlett, D.L.; Mr. Robert Bell; Mr. H. J. Bicker; Professor F. Sewell Bray; Mr. Andrew Brodie; Mr. Henry Brown, O.B.E.; Mr. W. H. Fox; Mr. Alex. Hannah; Mr. L. C. Hawkins; Mr. C. A. G. Hewson; Mr. W. H. Higginbotham; Mr. Hugh O. Johnson; Sir Thomas Keens, D.L.; Mr. W. H. Marsden; Mr. T. H. Nicholson, O.B.E.; Mr. F. A. Prior; Mr. P. G. S. Ritchie; Mr. W. G. A. Russell; Mr. Joseph Stephenson, O.B.E.; Mr. Percy Toothill; Mr. A. H. Walkey and Sir Richard Yeabsley, C.B.E.

The following Presidents of Branches and District Societies of Incorporated Accountants attended:

Mr. H. F. Bell (Northern Ireland); Mr. R. W. E. Bunn (Sussex); Mr. E. Downward (North Staffordshire); Mr. A. T. Eaves

(Manchester and District); Mr. E. Emmerson (Yorkshire); Mr. R. F. Emmerson (West of England); Mr. H. Mitchell Firth (Bradford and District); Mr. H. K. Greaves (Swansea and South West Wales); Mr. W. H. Higginbotham (Sheffield); Mr. T. Jewitt (Newcastle upon Tyne and District); Mr. J. S. Lewis (Irish Branch); Mr. A. Macdonald (Hull and District); Mr. P. F. Pierce (North Lancashire); Mr. J. J. Potter (Birmingham and District); Mr. W. H. Rhodes (Leicester and Northamptonshire District); Mr. P. G. S. Ritchie (Scottish Branch); Mr. A. Salter (South Wales and Monmouthshire); and Mr. P. W. Skinner (Nottingham, Derby and Lincoln).

The following Honorary Secretaries of District Societies of Incorporated Accountants were also present:

Mr. Tudor Davies (South Wales and Monmouthshire); Mr. Frank Dean (Bradford and District); Mr. C. M. Foxon (Nottingham Derby and Lincoln); Mr. R. A. Hamilton (North Staffordshire); Mr. A. Jarratt (Hull and District); Mr. L. A. Jarvis (South of England); Mr. D. S. Jones (Swansea and South West Wales); Mr. A. G. Lee, D.S.O. (Sussex); Mr. P. D. Pascho (Devon and Cornwall); Mr. J. W. Richardson (Sheffield); Mr. C. R. Riddington (Leicestershire and Northamptonshire); Mr. F. C. Smailes (West of England); Mr. J. E. Spoor (Newcastle upon Tyne District); Mr. K. R. Stanley (North Lancashire); Mr. B. C. Stead (Yorkshire); and Mr. R. H. Taylor (East Anglia).

SOCIETY DINNERS

The Council of the Society has decided that three or four dinners shall normally be held at Incorporated Accountants' Hall in each year. A number of official guests will be invited and it is hoped that on every occasion from forty to fifty Incorporated Accountants from all parts of the country may be present. Each member will be cordially invited to bring one personal guest: this limitation upon the number of guests has to be imposed because of the size of the Great Hall. The inclusive price of tickets for each dinner will be £2 12s. 6d. per head.

The first dinner will be held on Monday, July 20, 1953, when the Rt. Hon. The Lord Mayor of London will be the principal guest. As far as guests are concerned the dinner on July 20 will be for men only. Special dinners will be held from time to time to which ladies will be invited.

Announcements regarding the dates and arrangements for subsequent dinners will be made from time to time in the Society columns of *ACCOUNTANCY*, but members will not be notified individually.

The Council hopes that the experiment of holding these dinners will commend itself to members and that they will be well supported.

THE BIENNIAL DINNER OF THE INCORPORATED Accountants' Bradford and District Society was held at the Midland Hotel, Bradford, on April 17. The chair was occupied by the President of the District Society, Mr. H. Mitchell Firth, F.S.A.A., and there were over 100 guests, including the Lord Mayor of Bradford (Alderman John Shee), and the Lady Mayoress (Miss Mary Shee); the Mayor and Mayoress of Keighley (Alderman and Mrs. R. W. Waterhouse); Mrs. Firth; Mr. Reginald Northam (Principal of Swinton College); Mr. C. Percy Barrowcliff (President of the Society of Incorporated Accountants), and Mrs. Barrowcliff, with Mr. C. Evan-Jones (Deputy-Secretary); Mr. G. U. Averdieck (President of Bradford Chamber of Commerce) and Mrs. Averdieck; Mr. A. Spalding (Director of Education) and Mrs. Spalding; Sir Fred Haigh; Mr. H. Stansfield Haigh (President of the British Wool Federation) and Mrs. Haigh; and representatives of other professional bodies and of the Inland Revenue.

EVENTS OF THE MONTH

June 10.—*Bristol*; Annual General Meeting, Royal Hotel, College Green, at 6.15 p.m.

June 12.—*Manchester*; Annual General Meeting. Incorporated Accountants' Hall, 90, Deansgate, at 6.30 p.m.

June 22.—*London*; Students' Society Lecture on *Public Company Audit Standards*, by Professor F. Sewell Bray. (This is not a research lecture.) Incorporated Accountants' Hall, at 5 p.m.

SOCIETY'S PRELIMINARY EXAMINATION—EXEMPTION

THE COUNCIL OF THE SOCIETY OF Incorporated Accountants and Auditors announces that as from June 1, 1953, a Senior Grammar School Certificate presented for the purpose of exemption from the Preliminary Examination of the Society must contain a credit standard at ordinary level or a pass at advanced level in five subjects, one of which must be a mathematical subject.

INCORPORATED ACCOUNTANTS' BENEVOLENT FUND

THE INCORPORATED ACCOUNTANTS' Benevolent Fund held its annual general meeting following that of the Society of

Incorporated Accountants, on May 19. Sir Thomas Keens, D.L., was in the chair. Owing to pressure upon our space, we regret that we are unable to publish extracts from the annual report of the Fund in this issue; we intend, however, to publish them in the next issue of ACCOUNTANCY.

PERSONAL NOTES

Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A. (a member of the Council of the Society), formerly deputy chairman of Brown Brothers, Ltd., has been appointed chairman of the company.

Messrs. F. Whalley & Co., Incorporated Accountants, 21, Harrington Street, Liverpool, 2, have admitted Mr. R. W. Chauveau, A.S.A.A., into partnership. The name of the firm remains unchanged.

Mr. Albert D. Driver, Devonshire House, Keighley, has taken into partnership Mr. Owen Potterton. The practice will be carried on in future as A. D. Driver & Co., Incorporated Accountants.

Mr. H. Zickel, Incorporated Accountant, has commenced public practice at J.B.S. Building, 49, St. George's Street, Cape Town.

Messrs. A. J. Cooke & Co., 14, Harley Street, London, W.1, advise that as from May 1, 1953, their practice is being amalgamated with that of Messrs. Baker & Co., of London, Northampton and Leicester, and from that date the joint practice will be carried on in the name of Baker & Co., Incorporated Accountants, at all addresses. The partners in the joint practice will be: Messrs. A. J. Cooke, F.S.A.A., H. Feldon Baker, F.C.A., A.S.A.A., D. Sirkin, F.S.A.A., J. W. Walkden, A.C.A., A.S.A.A., J. B. Corrin, A.C.A., A.S.A.A., C. R. Riddington, F.S.A.A., T. Rimington, F.S.A.A., and T. G. Rimington, A.S.A.A.

Mr. A. J. Barnard, A.S.A.A., has been appointed City Treasurer of Norwich.

Mr. F. Cheesman, Incorporated Accountant, has been appointed Chief Accountant to the Port of London Authority.

Messrs. Mitchell, Rodriques & Co. announce that Mr. Percy Mitchell, A.S.A.A., A.T.I.L., has left the partnership and is practising as Messrs. P. Mitchell & Co., Incorporated Accountants, 226, Kenton Road, Kenton, Middx. Mr. John L. Rodriques, A.A.C.C.A., A.T.I.L., and Mr. W. Gordon Rodriques, A.S.A.A., A.A.C.C.A., continue their practice as Messrs. Mitchell, Rodriques & Co., Certified Accountants, at 55, The Broadway, London, S.W.19.

Messrs. A. J. Palmer & Co., Incorporated Accountants, Fareham and Gosport, announce that Mr. N. H. Munday, A.S.A.A., and Mr. A. C. D. Miller, A.S.A.A., who have

been with the firm for a number of years, have been admitted into partnership. The practice continues to be carried on from Portland Chambers, West Street, Fareham and 36, High Street, Gosport, under the same name.

Messrs. W. W. Beer, Aplin & Co., Incorporated Accountants, Exeter and Exmouth, announce that they have admitted into partnership Mr. D. H. Dunn, A.S.A.A., L.C.I.S., and Mr. R. H. Guyver, A.S.A.A., both of whom have been associated with the firm for a number of years. The name of the firm will remain unchanged.

REMOVALS

Mr. G. C. Salisbury, F.S.A.A., has removed his offices from 3, Quay Street, to 32, Cumberland Street, Woodbridge, Suffolk.

Messrs. Norman Cooke & Co., Incorporated Accountants, of Birmingham and Coventry, advise that the address of their head office has been changed to Hampton Grange, Hampton Lane, Solihull, Warwickshire. The address of the Coventry office remains the same.

OBITUARY

CYRIL CHARLES AKERS

WE RECORD WITH MUCH REGRET THE sudden death on April 19 of Mr. Cyril Charles Akers, F.S.A.A., the senior partner in the firm of Wm. Fortune & Son, West Hartlepool. He was 64 years of age, and had been a member of the Society since 1914.

Mr. Akers had been associated with the firm for over 40 years. In the first world war he was awarded the Croix de Guerre (Belge), and in the second world war held the rank of major in the Home Guard. He was a Past-President of the local branch of the British Legion, and at the time of his death was a vice-president of the Newcastle and District Society of Incorporated Accountants.

ALBERT VICTOR PARSONS

We regret to record the death on April 7 of Mr. Albert Victor Parsons, A.S.A.A., who had been a member of the Society since 1926. Mr. Parsons was with Messrs. Gérard Van de Linde & Son, Chartered Accountants, London, from 1913 until the time of his death, a period of 40 years. He will be greatly missed by his employers and their many clients, who held him in high regard as a business friend.